

A. 2

	\$ Spent (1/97-3/98)	Company Name	City	State	% of Total
1	\$2,283,094.52	Edwin Watts-Corporate	Fort Walton Beach	FL	4.72%
2	\$1,365,192.39	WDC Mackenzie Dist. L.T.D	Calgary	Canada	2.82%
3	\$1,113,954.00	Golf Day	Revere	MA	2.30%
4	\$1,106,355.02	Golfsmith International	Austin	TX	2.29%
5	\$703,468.04	Family Golf Centers, Inc.	Melville	NY	1.46%
6	\$556,157.00	Sports Authority Inc.	Ft Lauderdale	FL	1.15%
7	\$423,362.00	Dick's Sporting Goods	Coraopolis	PA	0.88%
8	\$388,517.69	Somerton Springs, Inc. Ivyland	Ivyland	PA	0.80%
9	\$382,879.00	George Takei	Solana Beach	CA	0.79%
10	\$373,133.00	Percentage Golf	Basildon, Essex	England	0.77%
11	\$355,320.00	Dunhams Sports	Waterford	MI	0.74%
12	\$352,032.00	Gart Sports, Denver	Denver	CO	0.73%
13	\$327,534.00	Leandro Tiribelli	Miami	FL	0.68%
14	\$323,398.85	Create Products	Solana Beach	CA	0.67%
15	\$309,494.11	Pete Carlson's Golf & Tennis	Palm Desert	CA	0.64%
16	\$294,230.35	Herrington Catalog, Londonderry	Londonderry	NH	0.61%
17	\$273,334.86	Palm Beach Golf Center Inc.	Palm Beach Gard	FL	0.57%
18	\$271,864.98	Martins Golf & Tennis	N Myrtle Beach	SC	0.56%
19	\$267,567.16	Hank Haney Golf Ranch	McKinney	TX	0.55%
20	\$243,933.88	Pro Golf Discount-Norcross, GA	Norcross	GA	0.50%
21	\$239,195.26	Roots & Relics	Honolulu	HI	0.49%
22	\$205,485.27	King Par	Flushing	MI	0.43%
23	\$204,608.00	Bavarian Village	Troy	MI	0.42%
24	\$197,742.99	Wally's Discount Golf	Garland	TX	0.41%
25	\$187,920.00	Sportmart/Gart Sport	Wheeling	IL	0.39%
26	\$184,859.00	Golf Technik	Fangdick Str 59	Germany	0.38%
27	\$178,163.18	Pro Am Golf Shop, Honolulu	Honolulu	HI	0.37%
28	\$177,743.98	Carl's Golf Land	Bloomfield Hill	MI	0.37%
29	\$172,642.64	Special Tee, Altamonte Sprgs, FL	Altamonte Sprgs	FL	0.36%
30	\$171,100.69	Golf & Tennis Etc. Houston	Houston	TX	0.35%
31	\$169,104.00	DO NOT USE	Toronto	ON	0.35%
32	\$164,551.37	Eagle	Seaford	NY	0.34%
33	\$155,518.15	Hank Haney Golf Center-City Pl	Dallas	TX	0.32%
34	\$152,619.10	Golf Discount of St Peters	St.Peters	MO	0.32%
35	\$151,340.18	Hackers Helper Golf Shops	Bethal Park	PA	0.31%
36	\$147,344.25	Nevada Bob's-Las Vegas, NV	Las Vegas	NV	0.30%
37	\$147,182.34	Oshman's Supersports USA	Houston	TX	0.30%
38	\$140,558.09	Uinta Golf	Salt Lake City	UT	0.29%
39	\$140,041.45	World Of Golf of Naples	Naples	FL	0.29%
40	\$138,815.17	Plaza Golf Inc.	Torrance	CA	0.29%
41	\$138,794.05	Pro Golf Discount-Bellevue, WA	Bellevue	WA	0.29%
42	\$136,902.94	World Of Golf of New York	New York	NY	0.28%
43	\$136,318.59	One Up Golf Center	Tampa	FL	0.28%
44	\$135,491.17	Club 4	Dublin 18	IE	0.28%
45	\$134,972.06	Golf Discount of Huntington B	Huntington Beac	CA	0.28%
46	\$129,721.96	Roger Dunn Golf Shop, Santa Ana, CA	Santa Ana	CA	0.27%
47	\$125,427.76	Carolina Custom Golf	Raleigh	NC	0.26%

	\$ Spent (1/97-3/98)	Company Name	City	State	% of Total
48	\$123,633.00	LVG & T Inc.	Las Vegas	NV	0.26%
49	\$122,629.29	Manatee Golf	Bradenton	FL	0.25%
50	\$118,095.00	The Paradies Shops	Atlanta	GA	0.24%
51	\$117,648.27	Fiddler's Green	Eugene	OR	0.24%
52	\$116,011.35	Golfer's Warehouse	Hartford	CT	0.24%
53	\$112,208.54	Pro Golf Discount-Charlotte, NC (2)	Charlotte	NC	0.23%
54	\$108,914.01	Meg Cor Discount Golf	Lumberton	NC	0.23%
55	\$107,957.53	New York Golf Center of LI, Hicksville	Hicksville	NY	0.22%
56	\$105,619.98	Tee-Town Golf Ranch	Tulsa	OK	0.22%
57	\$104,439.84	The Range, Avon	Avon	OH	0.22%
58	\$103,866.38	Brass Tee	Escondido	CA	0.21%
59	\$100,874.08	Del Rio Country Club	Modesto	CA	0.21%
60	\$98,927.83	Fry's Sports	South San Franc	CA	0.20%
61	\$98,657.00	Professional Back Up Ab	Malmo	SW	0.20%
62	\$97,655.00	The Ian McRae Golfing Co.	Cremorne NSW 20	AU	0.20%
63	\$94,404.30	BT Pro Shop	Newark	OH	0.20%
64	\$92,158.18	U S Golf	Crossville	TN	0.19%
65	\$91,915.04	Golf Warehouse Sales Inc	Norcross	GA	0.19%
66	\$91,399.36	Supreme Golf - Carmel	Carmel	IN	0.19%
67	\$91,058.40	Maple Hill Golf Course	Grandville	MI	0.19%
68	\$90,433.00	Edwin Watts Golf Shop, Sarasota	Sarasota	FL	0.19%
69	\$87,371.18	Sun Golf	Jacksonville	FL	0.18%
70	\$86,974.50	Copeland Sports	San Luis Obispo	CA	0.18%
71	\$85,610.98	Art Wilson Golf Shop	Santa Clara	CA	0.18%
72	\$85,200.98	Washington Golf Center Corp.	Arlington	VA	0.18%
73	\$84,214.26	Golf Shop Limited	Charlotte	NC	0.17%
74	\$83,631.53	Lefties Only	South Burlingto	VT	0.17%
75	\$82,645.77	Supreme Golf	Ft Worth	TX	0.17%
76	\$82,350.75	Nevada Bob's-Scottsdale, AZ	Scottsdale	AZ	0.17%
77	\$81,840.73	Manasquan River Golf Club	Brielle	NJ	0.17%
78	\$81,779.45	Edwin Watts - Dallas, TX	Ft. Walton Beac	FL	0.17%
79	\$80,807.20	Legends Golf Center	Old Bridge	NJ	0.17%
80	\$76,706.00	Roger Dunn, Naples, FL	Naples	FL	0.16%
81	\$76,426.00	Golf Dimensions	N. Myrtle Beach	SC	0.16%
82	\$76,278.00	Jean's Pacific, Torrance, CA	Torrance	CA	0.16%
83	\$75,449.00	Lars Kjaer & Co A/S	Denmark	NT	0.16%
84	\$75,283.11	Puetz Golf Center	Seattle	WA	0.16%
85	\$75,148.30	Pro Golf Discount-Houston, TX	Houston	TX	0.16%
86	\$74,819.52	Aloha Golf Shop	Honolulu	HI	0.15%
87	\$73,186.64	Van's Pro Shop	Phoenix	AZ	0.15%
88	\$72,108.95	Big Leroy Total Golf	Fort Myers	FL	0.15%
89	\$71,809.56	Wheat Road Golf	Vineland	NJ	0.15%
90	\$71,400.00	Chun Shin Corp.	Seoul	Korea	0.15%
91	\$69,098.71	Enterprise Discount Golf	Secaucus	NJ	0.14%
92	\$68,815.00	Foissy Golf S.A.	Foissy Golf S.A.	France	0.14%
93	\$67,880.43	Alf's Golf Shop of Miami	Miami	FL	0.14%
94	\$67,653.45	Roger Dunn, N. Hollywood, CA	N Hollywood	CA	0.14%

	\$ Spent (1/97-3/98)	Company Name	City	State	% of Total
95	\$66,889.50	Las Vegas Discount Golf, Las Vegas,NV	Las Vegas	NV	0.14%
96	\$66,380.62	Haggin Oaks Golf Shop	Sacramento	CA	0.14%
97	\$65,817.87	US Golf, ** DO NOT USE**	Panama City Bea	FL	0.14%
98	\$65,631.72	Players World Of Golf	Atlanta	GA	0.14%
99	\$65,462.01	Golf USA-W Palm Beach, FL	W. Palm Beach	FL	0.14%
100	\$64,375.97	Orange Sports Center	Garden Grove	CA	0.13%
101	\$63,782.32	Golf USA-Oklahoma City, OK (1)	Oklahoma City	OK	0.13%
102	\$63,557.19	Nevada Bob's-McAllen, TX	McAllen	TX	0.13%
103	\$63,044.00	Pro Golf Discount-Norwalk, CT	Norwalk	CT	0.13%
104	\$62,920.50	Golf Round Up, Inc	Vero Beach	FL	0.13%
105	\$62,529.40	Cam Golf Shop	Lansing	IL	0.13%
106	\$62,125.30	Golf Craft Pro Shop & Repair	San Antonio	TX	0.13%
107	\$62,024.63	Tyson's Washington Golf Center	McClean	VA	0.13%
108	\$62,003.65	Richard Metz Golf	New York	NY	0.13%
109	\$60,782.42	Midwest Golf & Tennis Company	St Charles	IL	0.13%
110	\$59,839.29	Ohio Discount	Cuyahora Falls	OH	0.12%
111	\$59,513.00	Weyland Golf Shop, Weyland	Marboro	MA	0.12%
112	\$57,619.73	Richmond Golf Center, Richmond,VA	Richmond	VA	0.12%
113	\$57,403.00	Continental Sales Co,	Livonia	MI	0.12%
114	\$56,602.00	US Golf / Tailor Built, Panama Cty Bch.	Panama Cty Bch	FL	0.12%
115	\$55,719.38	Darien Golf Center	Darien	CT	0.12%
116	\$55,353.55	Golf Outlet-Patterson, NY	Patterson	NY	0.11%
117	\$54,461.89	Golf & Ski Warehouse	West Lebanon	NH	0.11%
118	\$54,424.90	Edwin Watts Golf Shop, Hanover	Hanover	MA	0.11%
119	\$54,040.00	AGS, Inc	Sioux Falls	SD	0.11%
120	\$53,963.12	Nevada Bob's-Hilton Head, SC	Hilton Head	SC	0.11%
121	\$53,439.06	Golf Galaxy	Eden Prairie	MN	0.11%
122	\$52,680.08	Don Sherwood Golf & Tennis	San Francisco	CA	0.11%
123	\$52,676.75	Eagle Quest at Golf Park	Kent	WA	0.11%
124	\$52,643.54	Pro Golf, Bluffton	Bluffton	SC	0.11%
125	\$52,185.00	Trade International	Taipei	TW	0.11%
126	\$51,489.95	The Practice Tee Golf Outlet	Clairton	PA	0.11%
127	\$51,017.60	Pro Golf Discount-Bellevue, WA	Bellevue	WA	0.11%
128	\$50,886.00	International Golf Disc-Southfield, MI	Southfield	MI	0.11%
129	\$50,760.00	Edwin Watts			0.11%
130	\$50,758.00	Las Vegas Disc. Golf, Las Vegas,NV	Las Vegas	NV	0.11%
131	\$50,643.58	Philadelphia Washington Golf C	Conshohocker	PA	0.10%
132	\$50,574.00	Pro Golf Livonia	Livonia	MI	0.10%
133	\$50,426.54	T & D Golf-Tampa, FL	Tampa	FL	0.10%
134	\$49,804.48	Desert Golf Center	Palm Desert	CA	0.10%
135	\$49,389.00	Pro Golf Discount-Sarasota, FL	Sarasota	FL	0.10%
136	\$49,132.93	Bobicks Golf Inc, Ft Wayne	Fort Wayne	IN	0.10%
137	\$49,042.28	Moore's Golf Shop	Boyton Beach	FL	0.10%
138	\$48,917.07	Hank Haney City Pointe Glf Ctr	Dallas	TX	0.10%
139	\$48,823.95	Nevada Bob's-W, Springfield, MA	W. Springfield	MA	0.10%
140	\$48,800.04	Larry's Discount Golf	Scarsdale	NY	0.10%
141	\$48,747.63	Ironwood Country Club	Palm Desert	CA	0.10%

Tier 1

Edwin Watts Golf Shops
 Contact: Edwin Watts
 20 Hill Ave.
 Fort Walton Beach, FL 32549
 800-874-0146

WDC MacKenzie
 Contact: Dave Brown
 1140B 44th Ave. S.E.
 Alberta T2G 4W6
 000-000-0000

Tier 2

Golf Day
 Contact: John McGregor
 135 American Legion Hwy
 Revere, MA 02151
 800-347-3334

Somerton Springs
 Contact: Henry Lange
 48 Vincent Ln
 Unit D
 Ivyland, PA, 18974
 000-000-0000

Golf Discount
 Contact: Butch Marmon
 4100 Mid Rivers Mall Drive
 St. Peters, MO 63376
 (314) 939-4283

Family Golf Centers
 Contact: Gene McMasters
 225 Broadhollow Road
 Melville, NY 11747
 516-694-1666

Big Leroy's
 Contact: Paul Kosko
 17105 San Carlos Blvd Suite 1
 Fort Myers, FL 33908
 (941) 454-0077

Tier 3

Carl's Golfland
 Contact: Mike Fogerty
 1976 South Telegraph Rd
 Bloomfield Hills, MI 48302
 (810) 335-7762

Pro Golf Discount, Atlanta
 Contact: Bill Neidlinger
 3850 Holcomb Bridge #205
 Norcross, GA 30092
 770-416-0258

Martin's Golf
 Contact: Martin Barrier
 1615 Highway 17S
 N. Myrtle Beach, SC 29582
 803-272-6030

Pro Golf, Seattle
 Contact: Randy Silver
 1160 140th Ave. NE Street
 Bellevue, WA 98005
 206-401-0388

Herrington Catalog
 Contact: Lee Herrington
 3 Symmes Drive
 Londonberry, NH 03053
 (603) 437-1600

Golfsmith
 Contact: Carl Paul
 11000 N. IH-35
 Building C
 Austin, TX 78753
 512-837-8810

Haggin Oaks
 Contact: Ken Morton, Sr.
 3645 Fulton Ave.
 Sacramento, CA 95821
 916-488-0842

Tier 4

Special Tee
 Contact: Jack & Ike Hazen
 614 E. Altamonte Dr.
 Altamonte Springs, FL 32701
 407-834-1900

Pete Carlson's Golf
 Contact: Pete Carlson
 73-741 Highway 111
 Palm Desert, CA 92260
 619-568-3263

Hackers Helper
 Contact: Stan MacPherson
 5775 Baptist Road
 Bethel Park, PA 15102
 412-831-3168

Pro Golf Discount - Corporate
 Contact: Jack London, Bob Sage
 2342 Vallecitos
 La Jolla, CA 92037
 619-737-0553

Wally's Discount Golf
 Contact: Kenny Aekin
 915 W. Main

ADAMS 001320

Garland, TX 75040
214-494-2226

Uinta Golf
Contact: Chad Boyse
560 E. 2100 South
Salt Lake City, UT 84108
801-484-4114

Fiddler's Green
Contact: Tim Whelan
91292 Hwy 99 North
Eugene, OR 97402
541-689-8464

Washington Golf Centers
Contact: Mr. Chey
2625 Shirlington Rd.
Arlington, VA 22206
703-879-1214

Don Sherwood's Golf & Tennis
Contact: Scott Sherwood
320 Grant Ave.
San Francisco, CA 94108
415-989-5000

World of Golf
Contact: David Braham
147 E. 47th St.
New York, NY 10017
212-755-9398

Art Wilson
Contact: Mike Wilson
52 N. Winchester Blvd.
Santa Clara, CA 95050
408-241-4653

Aloha Golf
Contact: Steve Morishige
3023 Kaimuki Ave
Honolulu, HI 96816
808-734-5825

Richard Metz Golf
Contact: Dick Metz
425 Madison Ave.
New York, NY 10017
212-759-6940

Tee Town Golf Ranch
Contact: Holly and Tracy Phillips
9343 S. Mingo Road
Tulsa, OK 74133
918-254-1413

Manatee Golf
Contact: Steve Denty
3908 Manatee Ave. W
Bradenton, FL 34205

941-746-6166

Supreme Golf
Contact: Steve Fulls
201 S. Calhoun St.
Ft. Worth, TX 76104
818-877-5484

Fry's Sports
Contact: Don Hahn
164 Marco Way
South San Francisco, CA 94080
415-583-5034

The Range at Avon
Contact: Dusty Murdock/Michael Vey
1325 Center Rd.
Avon, OH 4401
216-937-9464

Carolina Custom Golf
Contact: Tony Cowan
P O Box 6008
Raleigh, NC 27628
910-722-7740

Copeland's Sports
Contact: Tim Townley
PO Box 1348
San Luis Obispo, CA 93406
(805) 543 0660

One Up Golf Center
Contact: Art
8405 Sun State St.
Tampa, FL 33634
813-899-7122

Bavarian Village
Contact: John Barich
1985 Ring Dr.
Troy, MI 48063
810-588-9090

Golf & Tennis, Houston
Contact: Vince Sicola
6486 FM 1960 West
Houston, TX 77069
281-955-7575

Pro Golf Discount, Charlotte
Contact: Tim Baskwell
6701 East Independence Blvd.
Charlotte, NC 28217
704-536-0178

Golf Dimensions
Contact: Bob Smith, Jr.
2301 Hwy 17S
N. Myrtle Beach, SC 29582
803-272-4630

ADAMS 001321

972-513-0004

Puetz Golf Center
Contact: Billy Derickson
11762 Aurora Ave. North
Seattle, WA 98133
206-362-2272

Practice Tee Golf Center
Contact: Kevin Bleiler
2950 Waterview
Richardson, TX 75080
972-235-6540

Maddens Resort
Contact: Chris Foley
8001 Pine Beach Peninsula
Brainerd, MN 56401
800-247-1040

Lumpy's Golf
Contact: Randy Corti
67-625 Hwy 111
LaQuinta, CA 92253
760-346-8768

Bobick's Golf
Contact: George Brown
38882 Mentor Ave.
Willoughby, OH 44094
440-842-4051

Joe & Leighs Golf Shop
Contact: Leigh Bader
P O Box 233
South Easton, MA 02375
508-238-2320

Orange County National
Contact: Phil Ritson, Jimmy Faulkner
1 Phil Ritson Rd.
Orlando, FL 32849
407-556-2626

McInnis Park Golf Center
Contact: Sharon Ham
350 Smith Ranch Rd.
San Rafael, CA 94903
415-491-5956

Orange Beach Golf Center
Contact: Tony Trevino
24401 Canal Rd.
Orange Beach, AL 36561
334-974-5680

Irving Golf Range
Contact: Dan Strimple
5310 W. Airport Frwy.
Irving, TX 75015

ADAMS 001322

ADAMS GOLF, INC.
Operating Analysis – General and Administrative Departments
Sales Rankings

Purpose:

The purpose of the following information below is to provide the credit and billing departments with relevant information regarding the top customers for both the month of August and year to date

Sales to the top ten customers for the current month totaled \$2,226,749 or 22.7% of the net sales of \$9,000,864. A listing of the current year top ten customer sales follows:

Rank	Customer Name	Amount	Location
1	Kindai Golf Ltd.	552,300	International
2	Dicks Sporting Goods	338,051	Domestic
3	Hidden Lake Golf Outlet	309,584	Domestic
4	Golf Day	307,532	Domestic
5	WDC Mackenzie Dist., Ltd.	253,715	International
6	Dimensions in Sport	105,212	International
7	Fry's Sports	103,497	Domestic
8	Carl's Golfland	90,635	Domestic
9	Jumbo Sports	83,939	Domestic
10	RSH Sports	82,284	International

Sales to the top ten customers for the current year totaled \$14,846,297 or 19.5% of the net sales of \$67,329,058. A listing of the current year top ten customer sales follows:

Rank	Customer Name	Amount	Location
1	Golfsmith International	2,761,707	Domestic
2	WDC Mackenzie Dist., Ltd.	2,099,602	International
3	Edwin Watts Corporate	1,912,963	Domestic
4	Kindai Golf Ltd.	1,912,165	International
5	Golf Day	1,909,376	Domestic
6	Dicks Sporting Goods	1,168,849	Domestic
7	Family Golf Centers, Inc.	985,786	Domestic
8	Golf Technik	780,629	International
9	Leandro Tiribelli	692,146	International
10	Sports Authority, Inc.	623,074	Domestic

ADAMS 008913

A. 3



WDC MACKENZIE DISTRIBUTORS LTD.

1140B - 44th Avenue S.E., Calgary, Alberta T2G 4W6
Phone: (403) 243-4005 Toll Free: 1-800-395-6745 Fax: (403) 243-2457

April 13, 1998

Attention: Chris Beebe
Director of International Sales
ADAMS Golf

DATE Apr. 27/06 EXHIBIT NO. 6

EXAM. OF Greg Pratt

Kim Morosse
COURT REPORTER CSR(A)
Amicus Reporting Group

Let me start off by saying welcome to the exciting world of Adams from WDC Mackenzie, one of Adams top international distributors. You have already helped us out with our latest concern - the presence of Adams clubs in the Costco stores in Canada.

As you are well aware, from our conversations, this has the potential to have great impact on the Canadian market for Adams if together we do not act quickly. I would like to fill you in on what has been the reaction from our Canadian Adams clients, what action we have taken to date, and some suggestions for Adams to help us put an end to this immediately.

Our Adams accounts have been calling us steady ever since the Tight Lies showed up in the Costco stores, about three weeks ago. We handle anywhere from ten to twenty-five calls daily. Please keep in mind that we have a total of 2,200 golf accounts in the whole country. This includes off-course, and green grass. We have about four hundred Adams accounts to date.

I have spoken with the Vice President of Costco Canada, other executives and written them a letter explaining our concern as the holder of the Canadian rights for Adams clubs, as they possibly were not aware. They Are not concerned who holds the rights, and they will continue to source product that "... our members are asking for". They admit to sourcing the Adams clubs on the "gray market", and are not apologizing for it. Other major golf companies have had this problem before, and some still do. Each one in the past took action.

History has seen Callaway, Taylor Made, and Ping either match the pricing of Costco to its accounts, or go into Costco and purchase all of the product, to be rid of it. Many accounts have threatened to send the product back to us if we do not do the same. It is important to note that our wholesale price is \$235 for graphite (retail \$299-\$349). Costco is retailing the graphite Tight Lies at \$249.99. While Costco

MCK00093

has not received much product to date this pricing has done some short term damage to the perception in the market. We have taken steps to buy some time so together with your help we can put an end to this.

We have asked our clients to stand behind us. While they all agree that this is the hottest club in the market they are very uncomfortable with Costco's retail being only \$15 more than their wholesale. We have told our loyal Adams accounts to give us time, and if this problem has not gone away, and the clubs do not sell as a result we will take their product back. We have asked them to give us sixty days. We are confident that you will have helped us with our problem by then.

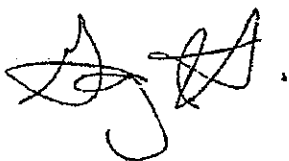
There are ways that you can help us. Since the product is originating at your facility you can take steps at your end. As you know these "parallel exporters", or "divertors" are very sly. The inside sales staff at Adams must play a major role. Can we make them aware of how serious this is? If necessary I will come there myself and explain how this could hurt us in Canada. I would suggest that any account that has only one or two stores in the United States should be red flagged any time they order more than fifty clubs, as a suggestion. This should especially apply for accounts close to the Canadian border.

Your quick action on the order for King Par in Flint Michigan stopped an order of 1,500 clubs from going to a one-store account. It is guys like this that are making life difficult for us. Ping was able to control this problem when they started to serial code their clubs. This way they are able to track where the clubs came from, and eventually put the "parallel exporters" out of business, bit by bit.

With your experience in this area you can offer many suggestions to help us with this problem. We welcome any ideas you may have. I look forward to hearing your thoughts.

Yours truly,

Greg Pratt
National Sales Manager



MCK00094

WDC MACKENZIE DISTRIBUTORS LTD



1140 B 44TH AVENUE S.E.

CALGARY, ALBERTA

T2G 4W6

PHONE# (403) 243-4005

FAX# (403) 243-2457

E-MAIL: WDCMACKG@CADVISION.COM

FACSIMILE TRANSMISSION SHEETTO: _____ ATTN: Chris BeebeFAX #: _____ DATE: April 13 '98FROM: Greg Pratt TIME: 7:15 pmTOTAL NUMBER OF PAGES INCLUDING COVER: three

COMMENTS: _____

The letter we discussedThank-you.

MCK00095

A. 4



WDC MACKENZIE DISTRIBUTORS LTD.

1140B - 44th Avenue S.E., Calgary, Alberta T2G 4W6
Phone: (403) 243-4005 Toll Free: 1-800-395-6745 Fax: (403) 243-2457

DATE Apr. 27/06 EXHIBIT NO. 5

EXAM. OF Greg Pratt

Kim Morrow

COURT REPORTER CSR(A)

Amicus Reporting Group

March 31, 1998

Attention: Mr. Ed Maron
Executive Vice President
Costco Wholesale Canada

Re: Costco SKU # 287879 - Adams Tight Lies Fairway Woods

It has been brought to our attention that some of your stores are presently selling the Adams Tight Lies Fairway Woods. As the Canadian distributor for Adams clubs this has us concerned, as we did not sell the golf clubs to your buyer. The parent company, Adams Golf, in Texas, is equally curious, as they did not authorize the sale of this product. Perhaps your buyer was unaware that there was a Canadian distributor for this product, as it is somewhat new to the market.

As a small Canadian based distributor WDC Mackenzie has been an active member of Costco for years, as have many of its staff members. WDC Mackenzie is also a supplier of Costco labeled caps to your staff, through our corporate division in Calgary.

As we struggle to survive in the competitive marketplace we have our hands full just fending off other manufacturers products. I hope you can appreciate our concern as we are losing valuable business to someone who is selling a product, we have the Canadian rights to, without our permission, or that of the parent company.

Please help the staff and management of WDC Mackenzie Distributors Ltd. with this dilemma we find ourselves in.

Yours truly,

Greg Pratt
National Sales Manager

A handwritten signature in black ink, appearing to be "Greg Pratt".

MCK01058

A. 5

DATE Apr 28/06 EXHIBIT NO. 50
EXAM. OF Ryan Magnusson
Donna Gerbrandt CSR(A)
Amicus Reporting Group

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC.,
SECURITIES LITIGATION

: CIVIL ACTION NO. 99-371-KAJ
: (CONSOLIDATED)

DECLARATION OF RYAN MAGNUSSEN

1. I, Ryan Magnusson, reside at 135 Woodmont Drive, Calgary, Alberta, Canada T2W4L3.

2. Before 1992, I worked at Sears and became familiar with retail sales. I then became the branch manager of a bank. In 1992, I decided to start ~~my~~ ^{MYSELF & PARTNERS DAVID BROWN & D VANCE MACKENZIE} own business, WDC ^{OUR} Mackenzie Distributors Ltd. ("Mackenzie"), among other things, a distributor of golf products. During the period 1992 - 2001, I served as President of Mackenzie. In this position, my responsibilities included overall management of the business, including sales, finances, relations with banks, and marketing. I had responsibility for dealing with our customers, who were golf equipment retailers located across Canada.

3. I am competent to testify as to the matters set forth in this Declaration by virtue of my training, experience and personal observation. I make this Declaration on the basis of my own personal knowledge, and a review of company documents.

4. During the years 1996 through 2000, Mackenzie was Adams Golf's sole authorized distributor for Canada. This meant that there were not supposed to be any sales of Adams Golf clubs at retail in Canada except by a retailer who was a Mackenzie customer and who obtained the clubs through Mackenzie.

5. During the spring of 1998, beginning in March, Costco stores in Canada began to obtain large numbers of Adams Golf clubs. Costco sold these clubs at prices far

below the prices offered by Adams Golf authorized retailers and, indeed, at prices just barely in excess of the wholesale price at which Adams Golf authorized retailers located in Canada bought Adams Golf clubs from Mackenzie.

6. For instance, in the spring of 1998, Costco was selling the graphite Tight Lies⁷⁰ at \$249.99 (Canadian), when Mackenzie's wholesale price was \$235.00 (Canadian), and the suggested retail price was \$349.00 (Canadian).

7. This "gray marketing" posed a distinct threat to us at Mackenzie, as Adams Golf's ~~exclusive~~^{SOLE} distributor in Canada, and, more generally, for the Adams Golf brand and for the financial health of Adams Golf. Adams Golf clubs were offered to prospective retailers at high profit margins, making them attractive products to purchase and resell. As soon as a brand name product such as a golf club is subjected to gray marketing, however, the retail price at which that product can be sold drops, causing authorized retailers to lose loyalty to the brand. For instance in April 1998, under pressure from Costco, our customers had to drop their retail price from \$349 to \$299, but they were still not able to compete effectively with Costco because of its lower retail price.

8. The usual result of gray marketing is that a gray-marketed product becomes an unattractive low-margin item that exclusive retailers such as golf shops are no longer willing to sell. That happened here in Canada with respect to Adams Golf's clubs.

9. When we heard about the presence of Adams clubs at Costco in the spring of 1998, Mackenzie notified Adams Golf immediately and began urging Adams to take steps to protect its brand, including to fund Mackenzie's purchase of all the Tight Lies at Costco, in an effort to reassure Mackenzie's customers that their prices and margins would be protected. Adams did not agree to do this.

10. The gray marketing problem with respect to Adams Golf became particularly acute in July 1998, just after Adams Golf's initial public offering (the "IPO"). The preceding month, after Mackenzie's continuing urging that it take steps to protect its brand, Adams Golf had instituted a new program by which authorized retailers in Canada could receive a discount off the wholesale price they paid for Adams Golf clubs. This program was designed to attempt to counteract the gray marketing problem and the harmful effect it was having on retailers.

11. In July 1998, after the IPO, MacKenzie realized that Adams Golf's wholesale price discount program was ineffective, and we became very concerned that Adams was not working on a viable solution. This became obvious to us in two ways. First, our customers, Canadian retailers, complained extensively to Mackenzie and to me personally that the discount program was not reducing and would not reduce the amount of business they were losing to Costco through gray market distribution. Retailer loyalty, which is critical to the high-end golf equipment business diminished noticeably. Second, Mackenzie's sales of Adams Golf clubs plummeted during July, particularly after the IPO. In July 1998, Mackenzie's sales of Adams Golf products (principally the Tight Lies clubs) were only \$259,000, compared to \$537,000 in June. The monthly sales chart attached to this Declaration accurately sets forth Mackenzie's gross sales of Adams Golf clubs during the period 1997-August 1999. Net sales were even lower because of returns. This decline in sales reflected not just gray marketing but also the failure of Adams Golf's attempts to address gray marketing effectively.


12. The failure of Adams Golf effectively to combat gray marketing in Canada was known by golf retailers across the country. Canada was by far Adams Golf's biggest

foreign market. Further, many American consumers purchased Adams Golf products in Canada. Moreover, many Americans involved in the golf industry had interests in Canada -- in retail stores, golf courses, and otherwise. Word gets around quickly in the golf industry. The sales decline resulting from gray marketing and the failure of Adams Golf to address gray marketing adequately were discussed within the industry and known widely throughout the industry between the conclusion of the IPO and the end of July 1998.

13. In my experience, it is very common for persons involved in golf, including golfers and persons who make their living in the industry, to invest or to consider investing in golf company stock.

I declare under penalty of perjury under the laws of the United States of America that the above statement is true and correct.

Executed on February 25, 2006.



RYAN MAGNUSSEN

402795.wpd

Adams golf WDC Mackenzie sales since 1997

1997

January	\$ 20
February	\$ 4,270
March	\$ 8,345
April	\$ 20,879
May	\$ 27,559
June	\$ 47,922
July	\$ 35,434
August	\$ 49,985
September	\$ 54,197
October	\$ 66,189
November	\$ 269,225
December	\$ 226,656

** Adams sales are growing in Canada

** Golf Channel comes to Canada TV, infomercial starts, strong Christmas sales

1998

January	\$ 77,605
February	\$ 207,875
March	\$ 743,974
April	\$ 571,579
May	\$ 470,250
June	\$ 537,000
July	\$ 259,000
August	\$ 85,268
September	\$ 336,000
October	\$ 108,800
November	\$ 47,922
December	\$ 31,178

** Start shipping from fall bookings, strong support from info mercial

** Product hits Costco Canada

** Customer start returning clubs & don't want Adams due to Costco. \$200,000 loss due to exchange, CDN\$\$ crash

** Only way they will take clubs is on consignment for Christmas season. Poor booking season due to Costco.

** slow Christmas season, we get fill in on consignment, customers are still reluctant to bring in product

1999

January	\$(-77,200)
February	\$ 50,366
March	\$ 315,235
April	\$ 376,985
May	\$ 392,935
June	\$ 271,195
July	\$ 187,525
August	\$ 189,755

** New pricing introduced, most customers from Christmas consignment return clubs in droves

** spring bookings go out, sales mainly demo clubs sold from booking specials. Product in Costco, Canadian Tire & Sports Authority, this is seriously impacting our sales volumes in Canada.

** August 1999 1st month in 99 to increase sales compared to same month 1998.

Fiscal 1998 ending 8/31/98 \$ 3,618,803

Fiscal 1999 ending 8/31/99 \$ 2,230,696

61.6 % of previous year

Adams 6 mos ending 6/30/98 \$58.3 Mil.

Adams 6 mos ending 6/30/99 \$34.1 Mil.

58.4 % of previous year

MCK00046

A. 6

D. Pratt 27Apr06

13

1 started to be discounted in the market.

2 The fear that everybody felt in
3 regards to the Adams product, was that our product
4 was first generation. It was in the market now and
5 it was trending up. So the impact was huge in the
6 sense that this could hurt everybody's business.

7 Q. When you say "it was in the market now,
8 was trending up," can you describe that more fully?

9 A. From my experience as a retail buyer for
10 a national chain years prior, it is very rare that
11 you get an item that trends as hot as the Adams
12 Tight Lies was trending, and that's -- that was the
13 situation we found ourselves in, in the sense that
14 this product was selling so fast, it was hard for
15 us and our customers to stay on top of because it
16 was very popular.

17 Q. Can you give any examples of things that
18 happened at trade shows? When you made your
19 visits, any examples of showing that Adams Golf was
20 trending high?

21 A. In regards to the popularity?

22 Q. Yes.

23 A. Typically our trade shows in Canada for
24 the Canadian Professional Golf Association, we do
25 our booking shows the fall prior to delivery, and

14

1 our shows in October, November of '97, we literally
2 had customers running into our booth saying,
3 "There's the club, I have to have it."

4 It was something that I had never
5 experienced before, and it was -- people were
6 buying product like I had never seen the quantities
7 before.

8 Q. On the fifth paragraph, what was your
9 wholesale price for graphite Tight Lies? In other
10 words, what was the price if you bought them from
11 Adams Golf?

12 A. The price that we bought them from Adams
13 Golf? That's two different things. Our wholesale
14 price that we sold to the --

15 Q. All right.

16 A. The wholesale price that we sold to our
17 customers in Canada was \$235 Canadian for a
18 graphite Tight Lies club.

19 Q. And what was the retail price that your
20 customers would sell it to golfers?

21 A. The accepted retail in the market was
22 between \$299 and \$349 Canadian.

23 Q. So how much did each retailer Macon a
24 club that had sold?

25 A. At that time of those retail of 299 to

15

1 349, those were the accepted prices within the golf
2 industry for hard goods, or clubs in this case.

3 Q. And what happened when Costco came in?
4 What were they selling it at?

5 A. They were selling the product at
6 \$249.99, so that was obviously of grave concern to
7 our customers and ourselves, that that price that
8 they were selling it at was just above our
9 wholesale.

10 Q. So that the retailer margins were much
11 decreased once Costco came in?

12 A. The retail margins were in jeopardy, for
13 sure.

14 Q. And were your customers talking to you
15 about that?

16 A. Yes.

17 Q. That was their major concern?

18 A. They were quite adamant that it was of
19 grave concern to them.

20 Q. On the second page of this thing, what
21 do you mean by "The perception in the market"?
22 Right on the top there: "Damage to the perception
23 in the market."

24 A. The Canadian golf market is quite small,
25 in the sense that word travels fast, and this being

16

1 a new product that was trending up very sharply,
2 the perception in the market was very sensitive in
3 the sense that this was -- there could be damage
4 done very quickly to the perception of the Adams
5 product, the Adams company and, of course, to us,
6 Mackenzie Distributors. So that's why there was
7 concern that people wanted this to be addressed
8 right away, as other manufacturers had done.

9 Q. What were your -- were your customers
10 actually comparing you to other manufacturers when
11 they spoke with you?

12 A. All the time because, they wanted to
13 know that we would address the situation, and that
14 was their concern, is that would we do what the
15 other manufacturers had done because they wanted to
16 have this fixed because they were getting
17 complaints from their customers.

18 Q. Did you make any suggestions in this
19 letter of what you hoped Adams would do to help you
20 in the situation?

21 A. We found that when this became a problem
22 with products being in Costco, that we became
23 students of gray marketing because it was the first
24 time that we had heard about it.

25 So what we did is we talked to

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29

1 **A. No, the customer, the retailer would**
2 **receive product in exchange for the price matching**
3 **instead of cash.**

4 **Q. What did you perceive as the problems**
5 **with this policy, if any?**

6 **A. I believe I stated in this memo or one**
7 **of the memos, it was like putting a bandage on an**
8 **open wound.**

9 **And the main reason there is that**
10 **while this addressed to a certain extent the**
11 **problem at the time, it wasn't going to go away**
12 **because this was not necessarily going to stop the**
13 **flow of product to gray market, to Costco, and at**
14 **the retail level, our customers were very**
15 **uncomfortable with the price matching strategy**
16 **because they didn't know when they could approach a**
17 **customer and how they could approach a customer on**
18 **what their price was of the Adams Tight Lies.**

19 **Q. How was this accounted for?**

20 **A. Each retailer was to keep track, through**
21 **sales receipts, of the credits that they would want**
22 **from us as to sending us the sales receipts at the**
23 **lower price of the Tight Lies that they sold.**

24 **Q. And then what would they do with those**
25 **sales receipts?**

30

1 **A. They would send them to us, and then we**
2 **would forward them to Adams to be credited with**
3 **product.**

4 **Q. This is a document from Mackenzie's**
5 **file; is that correct?**

6 **A. Yes.**

7 **Q. Do you know who wrote the note on the**
8 **third page?**

9 **A. I believe that is the handwriting of**
10 **Ryan Magnussen.**

11 **EXHIBIT NO. 11 - ONE-PAGE JUNE 10,**
12 **1998 LETTER FROM GREG PRATT TO**
13 **"ATTENTION: VALUED CUSTOMERS OF WDC**
14 **MACKENZIE DISTRIBUTORS LTD. -**
15 **MCK00075**

16 **Q. MS. FOX: Exhibit 11 is a**
17 **one-page exhibit. Can you identify it?**

18 **A. Yes. This is a letter that I wrote on**
19 **June 10, 1998, to our customers of the Adams Tight**
20 **Lies in Canada, in direct response or reaction to**
21 **the price matching strategy that Chris Beebe had**
22 **instructed us to do.**

23 **Q. Did you send it to all of your**
24 **customers?**

25 **A. Yes.**

31

1 **Q. That's your signature on the bottom?**

2 **A. Yes.**

3 **Q. Was there any reaction from your**
4 **customers when they got this letter?**

5 **A. They were glad to see that something had**
6 **been done, but there was concern that this wouldn't**
7 **stop things, and they felt uncomfortable, as they**
8 **had done price matching in the past, that they**
9 **didn't -- they felt uncomfortable as to how to**
10 **approach their customers because they didn't know**
11 **when to talk about the new price.**

12 **And while they could sell a club to**
13 **a customer that never said anything, at the higher**
14 **price, they knew that customer could come back**
15 **anywhere from a day to two weeks later, quite angry**
16 **because they had found out that the same club --**
17 **product was selling in the market at a much lower**
18 **price at Costco.**

19 **So they were pleased that something**
20 **was being done; they were not satisfied in the**
21 **sense that this could still cause a fair bit of**
22 **grief.**

23 **EXHIBIT NO. 12 - TWO-PAGE JULY 4,**
24 **1998 DOCUMENT ENTITLED "ADAMS GOLF**
25 **UPDATE" - MCK01356**

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1 **EXHIBIT NO. 13 - TWO-PAGE JULY 4,**
2 **1998 DOCUMENT ENTITLED "ADAMS GOLF**
3 **UPDATE" - ADAMS 009309**

4 **Q. MS. FOX: You have two**
5 **exhibits as Exhibit 12 and 13. Mr. Pratt, can you**
6 **identify first Exhibit 12?**

7 **A. Yes. It's a memo that I wrote July 4th,**
8 **1998.**

9 **Q. Can you identify Exhibit 13?**

10 **A. Yes. It's the same memo that I wrote**
11 **that was in obviously Adams' files.**

12 **Q. Did you actually sign Exhibit 10?**

13 **A. Exhibit 10?**

14 **Q. Either one of them.**

15 **A. 12, you mean?**

16 **Q. I'm sorry, 12.**

17 **A. No.**

18 **Q. How about 13?**

19 **A. Yes.**

20 **Q. Okay. So this was sent to Adams Golf?**

21 **A. Yes.**

22 **Q. And you confirm that that's your**
23 **signature on the second exhibit?**

24 **A. Yes.**

25 **Q. Under "Inventory," you say: "I would**

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1 recommend the cancellation of number 2018."

2 Why was Mackenzie cancelling orders
3 on July 4th, 1998?

4 **A. Because of the Costco situation, we were**
5 **concerned that we may have too much product. So**
6 **the thinking there was that we should delay or**
7 **cancel that order.**

8 **Q. The sales that you show on number 1, had**
9 **the trend been generally up through June?**

10 **A. Yes.**

11 **Q. If there had been no Costco, do you**
12 **think that any of the numbers would have been any**
13 **different?**

14 **MS. REED: Objection. Form.**

15 **Q. MS. FOX: You can answer.**

16 **A. They could have been higher.**

17 **Q. Had you received returns in either May**
18 **or June?**

19 **A. Yes.**

20 **Q. Would those have been subtracted from**
21 **the numbers listed as a sale?**

22 **A. My understanding is these were gross**
23 **sales of clubs.**

24 **Q. So it didn't include the returns?**

25 **A. No.**

34

1 **EXHIBIT NO. 14 - THREE-PAGE AUGUST**
2 **19, 1998 CORRESPONDENCE TO BARNEY**
3 **ADAMS FROM GREG PRATT - MCK00072 TO**
4 **MCK00074**

5 **Q. MS. FOX: What is Exhibit 14?**

6 **A. Exhibit 14 is a letter from myself**
7 **August 19, 1998, to Barney Adams, updating him on**
8 **the state of the nation, if you will, for Adams**
9 **product in Canada.**

10 **Q. Just take a look at paragraph 2. What**
11 **happened to your sales in July?**

12 **A. They dropped significantly. They**
13 **dropped in half from June.**

14 **Q. What's the reason for that, to your**
15 **knowledge?**

16 **A. At that time, it was the gray market,**
17 **because that should not have happened with a**
18 **trending product like the Tight Lies.**

19 **Q. When you ordered clubs earlier, did you**
20 **expect to continue to have good months in July and**
21 **August?**

22 **A. Yes. There was no indication that**
23 **that -- sales of that product would slow down.**

24 **Q. If you look at paragraph 4. Paragraph 4**
25 **refers to the negative impact in the marketplace.**

35

1 Can you describe that?

2 **A. Well, the negative impact from -- was as**
3 **a result of product being in Costco, and it had to**
4 **do with, obviously, business being impacted that**
5 **could have been more, but also it was the attitude**
6 **of the customers and consumers out there, that**
7 **Adams wasn't doing anything about the product being**
8 **in Costco.**

9 **Q. Is there any impact on the Tight Lies**
10 **brand or the Adams brand?**

11 **A. The challenge that Adams had with their**
12 **product being in Costco being first generation or**
13 **current product, was - and many people, consumers**
14 **and retailers, that was how they knew Adams Golf.**
15 **It didn't have a long history at the time - that it**
16 **could do a lot of damage to the name short term**
17 **and, more importantly for Adams, long term as they**
18 **introduced new products.**

19 **Q. How did you answer people when they said**
20 **that Adams is selling the product at Costco?**

21 **A. We were Adams Canada, so we were**
22 **defenders of that and said that that was not the**
23 **case, and we found that we had to do some educating**
24 **to people on how the gray market worked.**

25 **Q. Did you have an understanding, as at the**

36

1 time of this letter, of how those clubs were
2 getting to Costco?

3 **A. We started to have a better**
4 **understanding, and a lot of that came from dealing**
5 **in -- and in conversations with Chris Beebe, who**
6 **had experience in the international golf world, and**
7 **one of the things that he was trying to do was to**
8 **educate the people at Adams on the gray market and**
9 **that they should watch the distribution of their**
10 **product.**

11 **Q. Was there anything that happened at**
12 **Adams itself?**

13 **A. Yes, almost immediately after Chris**
14 **Beebe coming to Adams, he was a watchdog, if you**
15 **will, for the gray market product. And because**
16 **Adams' only sales force at the time was inside**
17 **salespeople, there wasn't the policing or managing**
18 **of the market to see that product -- the right**
19 **amount of product went to the stores in the U.S.**
20 **market.**

21 **So he literally kept an eye on the**
22 **fax machine as orders came in. And the one that we**
23 **referred to there is the order for King Par out of**
24 **Flint, Michigan that had an order for 1,500 clubs,**
25 **which is far more clubs that they would ever need**

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1 the stock went public?

2 **A. To the best of my recollection, because**
 3 **I bought shares at a different time, I believe**
 4 **initially it was 500 shares.**

5 Q. At about what price?

6 **A. I think it was between 17 and \$18 a**
 7 **share.**

8 Q. Did you buy more shares later?

9 **A. Yes.**

10 Q. At what price?

11 **A. I believe I bought more shares at \$10 a**
 12 **share.**

13 Q. Why did you buy the second set?

14 **A. Good question. We were Adams Canada,**
 15 **and we were closer than anybody was to the**
 16 **situation, and we were passionate about the product**
 17 **and we believed in the company. We saw the**
 18 **potential of the product -- the company with this**
 19 **one product and felt that, long term, we had hoped**
 20 **things would be fine.**

21 Q. Do you know if the company itself bought
 22 any shares?

23 **A. WDC Mackenzie?**

24 Q. Yes.

25 **A. Yes, they did buy shares.**

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1 Q. Were you at a meeting in the airport?

2 **A. Yes, I was at a meeting that Mark**
 3 **Gonsalves flew in to Calgary for the sole purpose**
 4 **of offering the principals of WDC Mackenzie an**
 5 **offering of, I believe it was 10,000 shares, that**
 6 **they could purchase some shares at the IPO price.**

7 Q. Do you remember any of the conversation?

8 What did Mark Gonsalves say about the stock?

9 **A. I vaguely remember the conversation, but**
 10 **it was really along the lines of they were excited**
 11 **about it going public, and some talk about the**
 12 **price that it might come out at. But other than**
 13 **that, I don't really recall.**

14 Q. Did the company end up buying?

15 **A. Yes. My understanding is they bought as**
 16 **much as they could. In this case, I believe it was**
 17 **10,000 shares. They actually -- yes.**

18 Q. And do you know if and when they sold
 19 that?

20 **A. I don't.**

21 Q. This is just a general question. Does
 22 the -- if you look at the whole time before the IPO
 23 - that is, before July 10 - did the total number of
 24 shares (sic) of Tight Lies that Costco had, tell
 25 the whole story of the impact of Costco on your

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1 business?

2 MS. REED: Objection to form.

3 THE WITNESS: Can you repeat that?

4 Q. MS. FOX: If you look at the

5 period between March and June, or March and July,

6 does the total number of clubs at Costco, is that

7 the entire impact that Costco had on Adams Golf and

8 Mackenzie?

9 MS. REED: Objection. Form.

10 **A. No, actually when we first discovered**
 11 **that the product was in Costco, it wasn't so much**
 12 **the amount of clubs that they had; it was the fact**
 13 **that they had product. And as they got more**
 14 **shipments and got more clubs, the product grew, but**
 15 **obviously had a huge impact.**

16 Q. MS. FOX: Can you describe the
 17 impact, just to sum up what you've been talking
 18 about?

19 **A. On the business of Mackenzie -- on the**
 20 **business of Adams?**

21 Q. Yes.

22 MS. REED: Objection. Form.

23 **A. It impacted our business long term**
 24 **because, by not resolving the situation**
 25 **immediately, our relationship with our customers**

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1 **changed from that point on.**

2 **And it affected our business in the**
 3 **sense that we also had other products to sell, so**
 4 **it affected the sale of those products.**

5 Q. MS. FOX: Can you say
 6 something about retailer margins?

7 MS. REED: Objection. Form.

8 **A. In regards to the golf industry?**

9 Q. MS. FOX: In regards to the
 10 impact.

11 **A. The impact of the margins?**

12 Q. The impact of Costco on Adams Golf.

13 MS. REED: Objection. Form.

14 **A. When Costco got the product, the**
 15 **accepted retail in the market was \$299 to \$349.**
 16 **That was the beginning of the free fall of the**
 17 **retail price.**

18 **Everybody who was an authorized**
 19 **retailer was more than happy with the retail that**
 20 **they were getting at that time, and their margin as**
 21 **a result.**

22 **Because Costco was a discount**
 23 **retailer, and they were selling the product at \$15**
 24 **over our wholesale, that drove the margin -- the**
 25 **margins, and the retails as a result, down with it.**

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1 And it had a huge impact on the market.

2 Q. MS. FOX: We've looked at your
3 sales in July, and they were significantly down
4 from your sales in June.

5 What people were publicly aware of
6 the problems of Adams Golf by the time July rolled
7 around?

8 MS. REED: Objection. Form.

9 A. Everybody that had anything to do with
10 Adams Golf in Canada at that time from the
11 standpoint of our customers were aware. So as soon
12 as that happened, we made sure that our direct
13 reports, if you will, at Adams Golf, the Chris
14 Beebes, the Mark Consalves and the Barney Adams
15 were aware of this problem, because we were a
16 distributor and it was our job to let them know
17 when something to this scale was affecting our
18 business.

19 So we -- as you see in the
20 documents, we let them know as soon as we knew that
21 this was happening.

22 MS. REED: Listen to the
23 question again. Can you repeat the question?

24 COURT REPORTER - (By reading):

25 "We've looked at your sales in

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1 July, and they were significantly
2 down from your sales in June.

3 What people were publicly aware
4 of the problems of Adams Golf by
5 the time July rolled around?"

6 MS. REED: Same objection.

7 Q. MS. FOX: I'm talking about
8 who in the general public would have been aware?

9 A. The golfing public. It was obvious that
10 a lot of people knew because a lot of product was
11 moving through Costco, so word travels fast in the
12 golf industry, within the industry and also within
13 the golfing public. That's why they were selling a
14 lot of product at the discount retailer.

15 EXHIBIT NO. 17 - ONE-PAGE JANUARY
16 4, 1999 CORRESPONDENCE TO ADAMS
17 RETAILER FROM BARNEY ADAMS AND CHIP
18 BREWER - MCK00026

19 Q. MS. FOX: Mr. Pratt, can you
20 identify Exhibit 17?

21 A. Yes. This is a letter dated January
22 4th, 1999, that came from Barney Adams and Chip
23 Brewer, who was the senior vice president of sales
24 and marketing, to Adams retailers.

25 Q. When did Chip Brewer get involved in

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1 these issues? Do you know?

2 A. I'm not clear on the date as to when he
3 got involved.

4 Q. In the beginning, in April, was he the
5 chief person you were dealing with?

6 A. My understanding is, I don't believe
7 Chip Brewer was in Adams Golf until later in 1998.

8 Q. Was this letter sent to your customers?

9 A. Yes.

10 Q. Did you request that it be sent to your
11 customers?

12 A. Yes.

13 Q. And why did you want them to get it?

14 A. It's one thing to get a letter from the
15 Canadian distributor, but we knew it would have
16 greater impact if it came from the principals; in
17 this case, the head of Adams Golf. And Barney
18 had -- at that time, had a presence in the market
19 and, for something this grave, it would have been
20 positive for us to -- for our retailers to receive
21 something from him.

22 Q. When you said "Barney had a presence in
23 the market," what -- why did Barney have a presence
24 in the market?

25 A. Barney had a presence in the market

52

1 because he had come up with this Tight Lies Fairway
2 Wood that was, in many ways, changed a part of the
3 game. And he found a niche at the time, and he not
4 only found -- invented this product, but just the
5 way he also marketed through the infomercial, in
6 many ways changed a lot of the way golf was
7 marketed.

8 Q. Can you explain what you mean when you
9 say "marketed through the infomercial"?

10 A. If you look at our sales from the fall
11 of 1997, from the moment that the infomercial on
12 the Adams Tight Lies hit the Golf Channel, which at
13 the time was more widely distributed in Canada than
14 it is in the United States, our sales were impacted
15 immediately. Actually, I believe it was over 70
16 percent of my whole -- the wholesale department's
17 sales came from that day the infomercial hit, to
18 the end of calendar year. And it was -- that is
19 just -- that's not normal in golf business.

20 So while infomercials are all over
21 the TV now, his way of marketing through that
22 infomercial, in many ways, was one of the first and
23 most popular.

24 Q. Did Barney Adams himself show up on the
25 infomercial?

D. Pratt 27Apr06

53

1 A. Yes.

2 Q. Can you describe it at all?

3 A. I don't know if he was in the first one.

4 I know they did some -- they redid it a little bit
5 later on and he was in there. And he would be --6 if I recall, he was with Hank Haney, who was a
7 leading golf instructor, talking about the product,
8 and because of the great success of this product
9 and -- he came to have a great presence in the golf
10 business and, from that moment on, was quite often
11 quoted in regards to anything in the golf business,
12 trends or whatever.13 MS. FOX: Can we just stop for
14 a minute.

15 (BRIEF ADJOURNMENT)

16 Q. MS. FOX: We mentioned some
17 terms which were not completely clear:
18 "Transshipment," "parallel shipment" and "gray
19 marketing." Could you go through what those things
20 mean to you in this context?21 A. Well, when this whole situation started,
22 we didn't know what gray marketing, as we've come
23 to call it, what it was, so it started to take on
24 different names like parallel exporter,
25 transshipment, and slowly we just all accepted it

54

1 as gray marketing, but that's what they settled on.
2 They all meant, to us, the same thing.3 Q. When Beebe first visited Mackenzie, do
4 you remember the substance of those conversations?5 A. Well, the timing of his first visit was
6 right after the clubs had hit Costco in Canada, so
7 much of our discussion was about the clubs being in
8 Costco, definitely; and obviously him being new to
9 Adams, there were other topics that we wanted to
10 talk about because, at the time, the information
11 that he relayed to us was the business that we were
12 doing, is we were the largest account that Adams
13 had, period, including accounts in the United
14 States and internationally. So obviously he wanted
15 to come up and become more familiar with our
16 business.17 Q. Let's go back to Exhibit 10, right in
18 the first paragraph of Exhibit 10. Exhibit 10 is
19 the June 8 letter from Chris Beebe to you and Dave
20 Brown and Ryan Magnussen.21 What was your understanding of
22 Barney's statement, that he said:23 "We should do what has to be done
24 to keep our sales strong and our
25 reputation."

55

1 A. I took that to mean that he was
2 concerned about the gray market or Costco situation
3 and wanted to protect Adams' reputation in the
4 marketplace, in Canada and in other places.5 Q. We talked before a little about the
6 amount of time that your company expended chasing
7 after the gray marketing. Can you give any
8 statement of amounts of time?9 A. No, that would be tough for me to
10 quantify, but suffice it to say that it was a
11 significant amount of time because, tied in with
12 this increase in sales, what we did is we moved our
13 outside sales force from commission to salary, on
14 the basis that sales would continue to rise. It
15 was a big move for a small distributor.16 And we also enlarged our inside
17 sales force who did the day-to-day calling of
18 accounts. So unlike a lot of Canadian golf
19 distributors, we actually had a duo sales force,
20 and a lot of their time and when this problem
21 started, was spent on handling complaints,
22 addressing concerns, the stress that went with it,
23 and that was inside our office and out in the
24 field. And it was very time consuming. As far as
25 what it cost, I couldn't tell you.

56

1 Q. You spoke about the meeting at the
2 airport when Gonsalves flew up here. Who else was
3 at that meeting?

4 A. Myself, Ryan Magnussen and David Brown.

5 Q. I think my question may have been
6 unclear before, so I want you to repeat yourself,
7 probably.8 Can you explain the effect of the
9 existence of Adams clubs in Costco on retailer
10 margins, on the margins at the retail?

11 MS. REED: Objection to form.

12 A. Well, our regular retail customers who
13 we sold to, their margins were grossly affected by
14 the product being at Costco, because their price
15 was lower, and now the price matching strategy,
16 they had to actually -- that was the beginning of
17 the lowering of their retails, so the margins for
18 the Adams Tight Lies clubs in the market to our
19 retailers came down.20 Q. MS. FOX: Did you lose any
21 customers because of the lower retail margins?22 A. Our day-to-day struggle was to try and
23 maintain business, and it was a very stressful
24 time, to say the least, in trying to maintain our
25 business because we were a young distributor, and

A. 7

W.D.C. MacKenzie

TEL: 14032432457

Apr 14 98

16:03 No. 021 P. 01

WDC MACKENZIE DISTRIBUTORS LTD



1140 B 44TH AVENUE S.E.

CALGARY, ALBERTA

T2G 4W6

PHONE# (403) 243-4005

FAX# (403) 243-2457

E-MAIL: WDCMACKG@CADVISION.COM

DATE Apr. 23/98 EXHIBIT NO. 7EXAM. OF Greg PrattKim Morasse

COURT REPORTER CSR(A)

Amicus Reporting GroupFACSIMILE TRANSMISSION SHEETTO: ADAMS GOLF ATTN: CHRIS BEEBEFAX #: _____ DATE: APRIL 14THFROM: PAUL HOLFORD TIME: _____TOTAL NUMBER OF PAGES INCLUDING COVER: 23COMMENTS: NO PER DISCUSSION - FYIOUR FIRST LEAD ON ADAMS/COSTCOWAS MAR. 23RD KLOWNA, BC.WE PASSED ON THE INFO. TO YOUFOLKS SHORTLY THEREAFTER.JHXPAUL

192

332

ADAMS 009325

W.D.C.MacKenzie

TEL:14032432457

Apr 14 98 16:03 No.021 P.02

April 14, 1998

CHRIS BEEBE
Adams Golf
2801 East Plano Parkway
Plano, Texas
75074

Re : Costco Wholesale

Dear Chris,

As per our discussion, here is the related information.

- 1.) Acushent Canada Inc. : *Transshipment/ Redistribution Policy*
- 2.) Golf Connections : Orem, Utah (801) 467-4499 Contact : *Borges Lamont*
Parallel exporter of Adams, Callaway, Taylor Made, etc. Possible source for Costco, but confirmed as presenting these products to Retail and Green Grass facilities.

Hope this information proves useful to our common plight. I would like to thank you for your efforts on behalf of all of us here at WDC Mackenzie Distributors Ltd.

Sincerely,

Paul Hofford
Manager
Customer Service

ADAMS 009326

W.D.C. MacKenzie

TEL: 14032432457

Apr 14 98 16:30 No.024 P.01

Titleist



Foot-Joy

January 1998

*Chris
Baker*

ACUSHNET CANADA INC.

TRANSSHIPMENT/REDISTRIBUTION POLICY

THE ACUSHNET COMPANY, WORLDWIDE is committed to protecting the quality image and goodwill associated with TITLEIST, FOOT-JOY and COBRA products. This can be accomplished in part by ensuring that those who are authorized to sell our products are committed to providing an appropriate level of service merchandising, advertising and promotion.

Our policy is to sell our products to direct accounts strictly for retail sale to end-users from the direct account location authorized by ACUSHNET CANADA. It is a violation of our policy for a direct account to:

- A. Engage in wholesale sales of our products.
- B. Sell, transfer or distribute our products, either directly or indirectly, in or to locations other than the authorized direct account location or wholesalers without the approval of the National Sales Manager. Each direct account may once each year participate in the sale of our products at a location other than their approved location; provided that the other location is within 50 miles of the approved location, the sales are conducted by personnel of the direct account and the sales continue for a period of seven days or less. Any other such sales require the prior written approval of the National Sales Manager.

If, as a result of a direct account engaging in any of the above activities, product ordered by that direct account is subsequently discovered for resale in an unauthorized retail location, either in Canada or abroad, ACUSHNET CANADA INC. will enforce this policy as follows:

1. First Violation - cancellation of all orders and a three month suspension of all order taking activity.
2. Subsequent Violation - discontinuation of the business relationship.

A violation of this policy may, in Acushnet Canada's sole discretion, disqualify an account from participating in and receiving the benefits of (volume related) discounts, incentive programs, or rebate programs.

This is an ACUSHNET COMPANY WORLDWIDE corporate policy. No employee is authorized or permitted to solicit or accept any assurances of compliance from any account with regard to this policy. No sales representative or sales service person is authorized or permitted to (i) interpret or discuss this policy other than to answer general questions or (ii) reinstate delivery to any account that is suspended or terminated according to this policy. Any inquiries regarding this policy should be addressed to the National Sales Manager at our Gornitely, Ontario office or if related to the Cobra Brand, the Cobra National Sales Manager at our Montreal, P.Q. office.

A. 8

1 IN THE UNITED STATES DISTRICT COURT

2 FOR THE DISTRICT OF DELAWARE

3
4 IN RE: ADAMS GOLF, INC. : CONSOLIDATED
5 SECURITIES LITIGATION : C.A. NO. 99-371 KAJ
6 _____X

7
8 ORAL AND VIDEOTAPED DEPOSITION

9 OF BARNEY ADAMS

10 Thursday, June 22, 2006

11
12 The oral deposition of BARNEY ADAMS was
13 held at the law offices of Akin Gump Strauss Hauer
14 & Feld, LLP, 1700 Pacific Avenue, Suite 4100,
15 Dallas, Texas, from 9:32 a.m. to 4:53 p.m., before
16 Jamie K. Israelow, a Certified Shorthand Reporter
17 in and for the State of Texas, Registered
18 Professional Reporter, Certified Realtime Reporter
19 and Certified LiveNote Reporter.

20
21 RSA/VERITEXT COURT REPORTING COMPANY

22 1845 Walnut Street, 15th Floor

23 Philadelphia, PA 19103

24 (215)241-1000 (888)777-6690

Page 10

1 King Par?

2 A I've heard of them.

3 Q Who is -- who is or who was King Par?

4 A I believe they're a retail store in
5 the Midwest someplace.

6 Q Okay. Were they an authorized
7 distributor in 1998 before the initial public
8 offering?

9 MR. BESSETTE: You mean for
10 Adams Golf?

11 MR. COLLINS: Right.

12 Q (By Mr. Collins) And I think I
13 misspoke. Forgive me.

14 Were they an authorized
15 distributor or an authorized retailer for Adams
16 Golf in or before July 1998?

17 A I couldn't tell you as to when we --
18 I couldn't tell you, A, if we sold them, although
19 this certainly implies we did, or when we sold
20 them.

21 Q Okay. Have you ever heard of MVP
22 Sports before?

23 A No, I have not.

24 Q Now, let's talk about the period

Page 11

1 before the IPO in July 1998. Did Adams Golf have
2 a policy regarding transshipment by authorized
3 retailers or distributors?

4 A Well, certainly we did everything we
5 could to keep the product in our channels of
6 distribution, and I guess that would define our
7 policy, as best as I can remember.

8 Q You said: We did everything we could
9 to keep product within our channels of
10 distribution.

11 Did that -- do you mean by
12 that, sir, that you discouraged authorized
13 distributors and retailers from transshipping?

14 A I would say that it would -- it would
15 mean that if we found out one of our authorized
16 retailers was transshipping, we would take steps
17 to stop that from happening.

18 Q Okay. Again, in the period before
19 the IPO, what were those steps?

20 MR. BESSETTE: Well,
21 objection, assumes facts not in evidence.

22 Q (By Mr. Collins) You may answer.

23 A Okay. Excuse me again. Repeat the
24 question, if you would, please.

Page 12

1 Q What were the steps pre-IPO, please?

2 A Well, I think you're giving us more
3 credit for or implying that there was a more
4 specific system in place. At the -- at the rate
5 at which we were growing, we would -- we dealt
6 with people who were -- our normal places of
7 distribution, people that were known in the
8 industry, and did our best to get them a product
9 at that time. That was our big issue.

10 Q Sure. So was there a policy in place
11 if an authorized distributor or retailer
12 transshipped pre-IPO?

13 MR. BESSETTE: I think he's
14 already answered that, Todd, but go -- go ahead.

15 A You kind of have me struggling with
16 the word "policy" because that sounds like it's a
17 legal or formal arrangement, and as I said, if --
18 if -- given our -- our growth and what was going
19 on at the time, we just -- we did everything we
20 could to keep the product going to the right
21 channels of distribution.

22 Q (By Mr. Collins) Okay. Well, let me
23 ask you about some specifics.

24 Pre-IPO, did you have a policy

Page 13

1 or general procedure to refuse to send any more
2 product to an authorized distributor or retailer
3 who transshipped? Was that policy or procedure in
4 effect?

5 A Again, that's a very tough question
6 to answer because I don't have any recollection of
7 that ever being the case, so it's a hypothetical
8 question. I suppose if a retailer contacted us
9 and he said: Look, I'm a transshipper, and you're
10 going to have to sell to me anyway, we wouldn't
11 sell to him. But that's not an answer.

12 Q In your last answer, you said you
13 don't have a recollection of that ever being the
14 case. Were you saying you don't have any
15 recollection of gray marketing going on pre-IPO?

16 A Gray marketing -- my recollection of
17 gray marketing in the golf industry, is that when
18 you have a hot product, you know what's going to
19 happen. You're always going to get product to
20 show up in places where, you know, you didn't sell
21 them directly, and so on.

22 Q Now, what's the basis of that
23 statement, please?

24 A Well, being in the business a long

4 (Pages 10 to 13)

Page 14

1 time, seeing it happen to other people. It was
2 just -- just one of those -- it's like "they."
3 It's one of those known things.

4 Q Do you -- do you have a belief as to
5 why it happens, where there's a hot product in the
6 golf industry?

7 A Why? Can you define that for me, so
8 I don't jump to a conclusion.

9 Q My pleasure.

10 I believe you said, Mr. Adams,
11 that your understanding in the golf industry is
12 that where there is a hot product, gray marketing
13 occurs. My question is: Why?

14 A I would -- this is just my
15 assumption, because I'm now in the minds of the --
16 that channel of distribution, but if it's a hot
17 product and they have it in their store, you know,
18 that's -- that's good retailing, I guess, from
19 their perspective. I could say that's -- I'm
20 thinking for them now.

21 Q In your last answer when you referred
22 to "them," were you referring to a nonauthorized
23 dealer who receives product through gray market
24 channels?

Page 15

1 A Nonauthorized -- yeah. I mean, I
2 think I'm responding or I'm -- I believe I'm
3 responding to what you asked me, which was: Why
4 would somebody who was a nonauthorized dealer want
5 to have Adams product?

6 Q Okay. Why would somebody who's an
7 authorized dealer or distributor want to
8 transship?

9 MR. BESSETTE: I'm just going
10 to object again. It's asking him to be in the
11 mind of one of those folks, so it's speculation.

12 MR. COLLINS: Sure.

13 Q (By Mr. Collins) And you know, I
14 think Paul is right, so let me rephrase the
15 question.

16 Based on your experience in
17 the industry, what were the circumstances, if you
18 know, under which authorized distributors or
19 retailers of hot products transshipped? Under
20 what circumstances did that transshipping occur?

21 A I have no idea. I mean, I'd only be
22 guessing.

23 Q Okay. Now, transshipment or gray
24 marketing did occur at -- at Adams Golf pre-IPO,

Page 16

1 correct?

2 A The only incident that I was aware
3 of, or purported incident, was a very small
4 quantity in Canada.

5 Q Okay. When you say "a very small
6 quantity," how many clubs?

7 A I have no idea.

8 Q More than 100?

9 A Again, it was -- it was my
10 recollection it was just a very minor thing, so I
11 don't know what the definition of "minor" is.

12 Q Okay. Pre-IPO, before -- before the
13 IPO, is it correct that you were not aware of any
14 other transshipping or gray marketing going on
15 apart from this very small quantity in Canada?

16 MR. BESSETTE: Can I get that
17 question back, please.

18 (The reporter read back the
19 requested text.)

20 MR. BESSETTE: Thank you.

21 A Okay. Answer?

22 Q (By Mr. Collins) Please.

23 A That sounds very specific to me. If
24 I was aware of any product in the gray market

Page 17

1 pre-IPO, it was extremely minor, and so to say
2 that I wasn't aware of anything at all -- I mean,
3 we had a million things going on at that time. I
4 might have heard about, you know, a few pieces at
5 some location. I honestly don't remember, but it
6 certainly wasn't anything of any significance, any
7 substance.

8 Q Uh-huh. Okay. Let's -- let's talk
9 for a moment why it wasn't anything of any
10 significance or any substance. I want to
11 understand, Mr. Adams, the reasons why you believe
12 pre-IPO gray marketing wasn't of any significance
13 or any substance.

14 First, do I -- is it correct
15 that it wasn't of any significance or any
16 substance because the number of clubs involved was
17 small?

18 A I think the answer is it was, you
19 know -- it was basically a nonissue. Well, that's
20 not fair. It certainly was a very small number of
21 clubs, if it was even going on.

22 Q Okay. What do you mean by "a very
23 small number of clubs"?

24 A You mean in volume?

5 (Pages 14 to 17)

Page 18

1 Q Yes.

2 A I have -- again, because I don't have
3 any knowledge or any history of -- of it even
4 going on, I can't come up with any numbers.

5 Q Okay. But when you said a moment
6 ago, Mr. Adams, that it was certainly a very small
7 number of clubs, did you have in mind a number
8 below a hundred, below 500, below 10,000? What
9 number did you have in mind when you used that
10 term?

11 A Sure. I think -- I think my thinking
12 was in using that term that if it had been a -- a
13 large number or significant -- excuse me -- a
14 significant number of clubs, I would have heard
15 about it, so it's more a number of absence, if you
16 will.

17 Q Okay. And when you refer to a
18 significant number of clubs, what do you mean?
19 What is it, in other words, to rephrase the
20 question, that you believe you would have heard of
21 had it been going on?

22 MR. BESSETTE: I'm going to
23 object just to the extent it calls for
24 speculation.

Page 19

1 But go ahead and answer.

2 A I was going to say you're asking me
3 to guess here, and you know, it's really -- it's
4 almost an impossible question to answer. It's
5 kind of like: How big is big? It would have to
6 be a major program in many, many stores, and, you
7 know, I'm trying to -- I'm trying to visualize
8 what -- what would be going on. As I said before:
9 How big is big?

10 MR. BESSETTE: Well, if you
11 can't -- don't guess.

12 THE WITNESS: No, I
13 understand. I understand.

14 A I'm not looking for numbers. I --
15 I'm just -- I guess I'm trying to explain why I
16 can't give a specific answer.

17 Q (By Mr. Collins) Sure. So if I'm
18 understanding correctly, Mr. Adams, pre-IPO gray
19 marketing wasn't of any significance or any
20 substance because it was a very small number of
21 clubs? That's -- that's one reason it wasn't of
22 any significance or any substance, right?

23 A I think that's a fair statement.

24 Q Did you -- did you do anything to

Page 20

1 find out how many clubs were being gray-marketed
2 pre-IPO?

3 MR. BESSETTE: Individually or
4 the company?

5 MR. COLLINS: Let's start with
6 Mr. Adams, whether he undertook any work or asked
7 anyone to undertake any work.

8 A I'm going to have to ask you to be
9 more specific here, because I'm -- if you could
10 help me a little bit, give me a little more
11 guidance in what you're looking for.

12 Q (By Mr. Collins) Sure. No problem.
13 Did you ask someone before the
14 IPO to investigate, to determine the extent of the
15 gray marketing?

16 A In the U.S.?

17 Q At all.

18 A I believe at one time in Canada we
19 did some investigation.

20 Q That was undertaken, at least in
21 part, by Mr. Beebe?

22 A That's my recollection, yes.

23 Q Did you ask Mr. Beebe to undertake
24 that investigation?

Page 21

1 A I don't know if I did or not.

2 Q Did Mr. Beebe investigate?

3 MR. BESSETTE: I'm sorry. I
4 believe he just said that he did.

5 MR. COLLINS: Okay. Forgive
6 me.

7 Q (By Mr. Collins) What were the
8 results of his investigation, if any?

9 A My best recollection is that he went
10 to a Costco store in Canada, found a few pieces --
11 and you're probably going to ask me to define
12 "few," and I can't remember -- and reported back
13 that it wasn't a big deal, but, you know, that was
14 his -- that was his analysis at the time.

15 Q Okay. In response to that report by
16 Mr. Beebe, what did you or Adams Golf do, if
17 anything?

18 A That specific report, you mean?

19 Q Yes. Yes.

20 A I don't think we took any specific
21 action based on that report.

22 Q Okay. Now, there was some action
23 taken pre-IPO in Canada with respect to gray
24 marketing, correct?

6 (Pages 18 to 21)

Page 50

1 Q That was the case at the time of the
2 IPO, correct?
3 A That was our objective, yes.
4 Q Okay. And why was that your
5 objective?
6 A It was the traditional methodology of
7 distribution for companies in the golf industry,
8 in the equipment -- golf equipment industry, and I
9 guess we felt that that was applicable to us as
10 well.
11 Q Well, it wasn't the traditional
12 method of distribution for all golf equipment
13 companies, was it?
14 A You'd have to give me specifics. As
15 far as I knew, it was.
16 Q Well, there were some -- there were
17 some retailers that at the time of the IPO sold to
18 Costco directly, weren't there?
19 A I don't know.
20 MR. BESSETTE: Objection.
21 THE WITNESS: Excuse me.
22 MR. BESSETTE: Adams Golf
23 retailers or who? I'm not sure.
24 MR. COLLINS: If I said

Page 51

1 retailers, forgive me.
2 MR. BESSETTE: Okay.
3 Q (By Mr. Collins) Let me start again.
4 At the time of the IPO, there
5 were some golf manufacturers who sold directly to
6 Costco. Is that your understanding?
7 A I mean, I don't have knowledge of
8 their business. There were rumors, but I don't
9 have knowledge of their business.
10 Q But you didn't do that? You didn't
11 sell directly to Costco at the time of the IPO,
12 did you?
13 A No, we did not.
14 Q And you would have been concerned had
15 anybody told you or accused you of doing that,
16 correct?
17 A I think that's fair.
18 Q Okay. So tell me why -- I gather
19 this -- selling through the classic and standard
20 lines of distribution and not big-box stores, is
21 it correct that at the time of the IPO you thought
22 that was in the interest of Adams shareholders?
23 A I think that's fair.
24 Q Why?

Page 52

1 A Because it was the best -- it was the
2 best methodology for the company, so if it's,
3 well, best methodology for the company, I guess it
4 should be the best for the shareholders.
5 Q When you say the "best methodology,"
6 do you mean the best methodology to maximize
7 sales?
8 A To maximize sales through our
9 channels of distribution.
10 Q Was it the best methodology to
11 maximize profit?
12 A That's going to require a long
13 answer.
14 Q I would be interested.
15 A All right. You have a hot product
16 like the Tight Lies. I guess I could -- again,
17 I'm being hypothetical here because it never
18 happened, but I could dream up a scenario where
19 you'd sell it to anybody and everybody, and I
20 suppose -- and again, I have to be very careful.
21 I'm being hypothetical here. But I suppose,
22 during that time frame -- it would be a profitable
23 decision during that time frame, but in the very
24 near term, it would damage the company or --

Page 53

1 Q Okay. Thank you. Did I cut you off?
2 A I'm sorry? No. No. Like I say,
3 it's -- it's a hypothetical situation, so --
4 Q Sure.
5 A -- I'm trying to give you a fair
6 answer.
7 Q I want to ask a highly objectionable
8 compound question. You said two things there that
9 I want you to explain. One is: In that time
10 frame, you suppose it would be profitable. And
11 then you said: In the very near term, it would
12 damage the company.
13 So the first question is:
14 What did you mean in that time frame you suppose
15 it would be profitable? And specifically my
16 question is: What did you mean by "that time
17 frame"?
18 MR. BESSETTE: That is
19 objectable, but if you can do your best with that
20 compound hypothetical.
21 Q (By Mr. Collins) And let me re- --
22 let me restart it, and if you want to have your
23 answer read back, that would be great.
24 In your last answer, what did

14 (Pages 50 to 53)

Page 62

1 if they occurred, something that was important to
2 you personally?

3 A I think we talked about this before,
4 but I'm going to be sensitive. I'm going to try
5 and be sensitive to any customer complaint or --
6 as an organization. Excuse me.

7 Q Before the IPO, did any retailers in
8 the U.S. complain about gray marketing?

9 A I don't know.

10 Q But you would have been sensitive to
11 any complaints had they been made, correct?

12 A Again, we're getting hypothetical
13 again. If a retailer called me up and voiced a
14 complaint, even if my deduction were that it
15 weren't, you know -- slang phrase, but weren't a
16 big deal, I don't like to have any relationship
17 with a customer that's -- that's, you know, less
18 good than it could be.

19 Q Sure. At the time of the IPO, was
20 there a procedure in place whereby complaints from
21 major retailers were made known to you?

22 A I don't know of any complaints.

23 Q That's fine. Actually what I'm
24 asking about, though, is the procedure. If a --

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1 a -- a customer, a retailer or distributor
2 complained about gray marketing, was there a
3 procedure in place at the time of the IPO that
4 that complaint was made known to you?

5 A There was no formal procedure that
6 I -- that I'm aware of anyway.

7 Q Okay. Now, in May of 1998 -- I'm
8 going to mark a document and ask if -- if you
9 wrote this memo. It's 293.

10 MR. BESSETTE: Again.

11 MR. COLLINS: Adams 28450.

12 MR. BESSETTE: Let's let her
13 mark it.

14 (Deposition Exhibit 293
15 was marked.)

16 A Okay.

17 Q (By Mr. Collins) Have you seen this
18 document before?

19 A Yes, I have.

20 Q Are you the author?

21 A With reservation. It's under my
22 name, so the odds are I am the author, but it's
23 not signed or initialed, and my habit was to sign
24 and initial all documents. And since I am,

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1 especially in hindsight, but since I am prone
2 sometimes to be a little volatile in my writing, I
3 would write documents or memos or whatever and
4 then put them on my desk to re-read the next day
5 when I was a little less emotional.

6 And some of those never saw
7 the light of day, but I think this one did, so I
8 think it's fair to say this is from me.

9 Q And you wrote this on or May 26th of
10 '98 in the course of your duties as CEO?

11 A That's the date, yes.

12 Q All right. Why did you write this
13 memo?

14 A We had filed a -- I believe by then
15 we had filed a bill of discovery, trying to find
16 out from Costco -- or maybe it hadn't happened
17 yet. I don't remember, to be honest with you.
18 But I had --

19 Q The press release was June 9th --

20 A Okay. And so it hadn't --

21 Q This is May 26th.

22 A Okay. So if it -- I had written a
23 letter, as it says here, to Costco asking them
24 where they got Adams product. I think I was

Page 65

1 referring to the Canadian situation. And
2 basically told me to mind my own business.

3 Q Uh-huh. So at the time you wrote
4 that letter, the only Costco stores selling Adams
5 product that you were aware of were located in
6 Canada?

7 A I believe so, yes.

8 Q And why did you write that letter?

9 A We had said in -- to our retailers
10 that we were going to sell through the normal
11 channels of distribution, and I wrote the letter
12 because this was a -- I guess you would call it a
13 breach of that distribution, and I was -- I was
14 concerned -- if it was our product, I was
15 concerned where they got it.

16 Q Why were you concerned?

17 A Because we had -- we were out telling
18 retailers that we were selling in the normal lines
19 of distribution.

20 Q That was true, wasn't it, regardless
21 of what Costco was doing?

22 A That we were selling to the normal
23 lines of distribution, is that what you're asking
24 me?

17 (Pages 62 to 65)

Page 66

1 Q Yes.
 2 A To the best of my knowledge.
 3 Q Were you concerned that, as a result
 4 of the appearance of Adams product in Costcos,
 5 that retailers thought that the -- Costco was
 6 buying from Adams?

7 MR. BESSETTE: Can I get that
 8 back, please.

9 MR. COLLINS: Let me rephrase
 10 it.

11 Q (By Mr. Collins) Were you concerned
 12 that Adams' authorized retailers thought that
 13 Adams was selling directly to Costco?

14 A Well, I would have been concerned if
 15 they were. Let's put it that way.

16 Q You have to explain that, if you
 17 would.

18 A We gave our word that we sold through
 19 normal channels of distribution. If somebody
 20 thought we were lying, I would be concerned.

21 Q Sure. Did Gonsalves respond to this
 22 memo?

23 A I don't remember.

24 Q Did you ever determine whether there

Page 67

1 was language in our purchase order that precludes
 2 selling to other retailers?

3 A I don't remember that. I don't
 4 remember what language we had.

5 Q Do you know whether as of the time of
 6 this memo there was any obligation on the part of
 7 authorized retailers and distributors not to
 8 transship?

9 A I'm struggling with the word
 10 "obligation," because that's -- my interpretation
 11 is that's a -- a legal arrangement, and I don't --
 12 I mean, I don't have an answer for that.

13 Q Was there a legal obligation at the
 14 time?

15 A I -- I don't think we -- we didn't
 16 have any, you know, legal contracts or contracts
 17 by lawyers written up with our retailers.

18 Q Was there any other non -- was there
 19 any other obligation, not of a legal nature,
 20 preventing the retailers or distributors from
 21 transshipping?

22 A Would you repeat that, please.

23 Q Apart from any legal obligation, was
 24 there any other sort of obligation that prevented

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1 retailers or distributors from transshipping?

2 A I think that the -- to the best of
 3 our ability, if we felt that a retailer were
 4 transshipping, again, I'm getting hypothetical
 5 here, we would -- I guess we would do whatever we
 6 could to make sure that didn't happen.

7 Q And I showed you before Exhibits 291
 8 and 292, which were your letters of June 26, '98,
 9 to King Par and Manatee.

10 A Right.

11 Q Was that part of your efforts to try
 12 to prevent transshipping from happening?

13 A I think, as I testified, those
 14 letters were kind of like: Hey, if you're
 15 thinking about this, don't do it.

16 Q And was the lawsuit one of the
 17 ways -- the bill of discovery, one of the ways you
 18 tried to prevent transshipping from occurring?

19 A I -- no, I don't think you can state
 20 that, though -- I mean, the bill of discovery was
 21 our attempt to -- to base -- to -- really to do
 22 two things: If it were going on or if Costco were
 23 planning on having it go on, to force them to tell
 24 us where it was coming from.

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1 And secondly, I think the
 2 other objective was to give our people, our
 3 salespeople, a -- a vehicle, for lack of a better
 4 word, that says: Look, you know, if it ever comes
 5 up, we don't sell to Costco. And not only do we
 6 not sell them, we sue them.

7 I think those would be the --
 8 the two objectives.

9 Q Okay. What was the objective of the
 10 press release with regard to the bill of
 11 discovery?

12 A To get the story out. As a small
 13 company, nonpublic company at the time, we didn't
 14 have a -- much of a vehicle to tell a story, and
 15 we felt that this was a way to -- to nip anything
 16 in the bud that might come up if it ever were to
 17 come up.

18 Q On Exhibit 293, the first sentence
 19 reads: As we proceed, understand that we're
 20 taking on the 800 -- is that 800-pound gorilla?

21 A That would be my interpretation, yes.

22 Q And they've done this 1,000 times.

23 A Yes.

24 Q Costco is the 800-pound gorilla?

18 (Pages 66 to 69)

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1 significant to the company?
 2 MR. McEVOY: Good question.
 3 MR. COLLINS: It is.
 4 A I'm really confused. All -- all I
 5 got -- my answer is that, A -- I think we went
 6 over this.
 7 A, everything I knew about was
 8 disclosed and discussed in the preparation of the
 9 prospectus; B, when asked the question, we were
 10 not selling to this -- terminology -- discount
 11 warehouses. And beyond that, I -- I don't know
 12 what to say.
 13 Q (By Mr. Collins) Once you found out
 14 that there were claims that Adams Golf clubs were
 15 being sold in Costcos in Canada before the IPO,
 16 did Adams Golf do anything to try to find out
 17 whether Costco was selling clubs outside Canada?
 18 A Did we do anything? Did we do -- not
 19 that I know of.
 20 Q Did you -- did anybody suggest to you
 21 an investigation should be made to determine that?
 22 A It was a nonissue.
 23 Q Why was it a nonissue?
 24 A As far as we knew, it wasn't going

Page 123

1 on.
 2 Q How did you know if you didn't
 3 investigate?
 4 A I -- I suspect, like we found a --
 5 like if you take Canada -- if you use Canada as an
 6 example, if it had been going on in the United
 7 States, I suspect that we would have -- we would
 8 have heard about it.
 9 Q And in that event, if you had found
 10 out it was going on in the United States, what
 11 would you have done? What would you have seen
 12 your duty as?
 13 MR. BESSETT: Calls for
 14 speculation.
 15 Q (By Mr. Collins) You may answer.
 16 A I would have tried to find out where
 17 they were coming from.
 18 Q Now, on the next page, Page 630,
 19 under Pricing Strategy, it appears that the Adams
 20 average retailer margin is higher than that of
 21 Callaway, Taylor, and Cobra.
 22 Am I reading this document
 23 correctly?
 24 A That's how I'd interpret it.

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1 Q Is that a significant fact as of the
 2 time of the road trip?
 3 MR. BESSETTE: Objection,
 4 vague and ambiguous.
 5 Q (By Mr. Collins) Yes. Let me
 6 rephrase that.
 7 Why, if you know, is this page
 8 included in the road show presentation?
 9 A I would guess it just shows that
 10 we're price competitive, margin competitive.
 11 Q Why, if you know, was the Adams
 12 average retail margin in excess of that of the
 13 competitors listed on this page?
 14 A I have no idea.
 15 Q Was that a goal of Adams Golf at the
 16 time, to pay higher retail margins than
 17 competitors? Was that --
 18 MR. BESSETTE: Well --
 19 Q (By Mr. Collins) Was that part --
 20 was that part of your pricing strategy?
 21 MR. BESSETTE: Okay.
 22 Objection. The company doesn't pay retail
 23 margins, so vague and ambiguous.
 24 MR. COLLINS: You're quite

Page 125

1 right.
 2 Q (By Mr. Collins) Was it part of the
 3 pricing strategy for the average retailer margin
 4 to be higher at Adams than at competitors,
 5 retailers?
 6 A I don't have any reluctant -- excuse
 7 me. I don't have any recollection to that being a
 8 strategy. I -- I -- I was -- it was just
 9 something that was -- was true at the time.
 10 Q So --
 11 A Excuse me.
 12 Q -- it was a coincidence that it
 13 occurred?
 14 A No. I also think that when you have
 15 a hot product like we have, you might have a
 16 little different opportunity. I mean, this is --
 17 that's how I would interpret this.
 18 Q Why?
 19 A Why? When have you a hot product?
 20 Q Please.
 21 A If you have a product that's, you
 22 know, 8 or 10 years old, you're not going to get
 23 as much for it as you do if it's new.
 24 Q If you look at Adams versus Callaway,

32 (Pages 122 to 125)

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1 top here and these things were easily explained --
2 MR. BESSETTE: The things in
3 this --

4 A I'm sorry. I beg your pardon. I'm
5 looking at -- these things being A through I, I
6 think, all of my points.

7 No, we -- you know, he -- to
8 Mark's credit, he was used to dealing with my
9 volatility, and it wasn't acrimonious. It was
10 more about getting on with business.

11 Q (By Mr. Collins) Did you ask him not
12 to leave?

13 A I don't remember that. I remember
14 that he -- as I said, he said that he felt that he
15 was at a unique time in his life, and you know,
16 who am I to deny that -- that opportunity.

17 THE WITNESS: Good idea. This
18 might -- excuse me, this might be superfluous
19 because I'm just sitting here with my water. What
20 I remember most about this was that when Mark and
21 I met I was a little embarrassed because it was
22 obvious that I'd gone way over the top. I think I
23 said up front I'm not too proud of this memo and
24 my style at the time.

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1 You know, we were very busy,
2 very tough times, and Mike -- Mark and I had a
3 nice evening conversation. And I don't remember
4 the specific details, but that, you know, he
5 pointed out that this was just a product of gossip
6 and bickering and so on and so forth, as I'd said.

7 Q Now, did Mr. Bessette just suggest
8 that you add that comment?

9 A No. I'm --

10 MR. BESSETTE: Telepathic.

11 MS. REED: You have amazing
12 skills.

13 A No. I was -- I was -- the truth of
14 the matter is I thought about it before. I had
15 forgotten about it, to tell you the truth, and it
16 just -- you know, we're going over a lot of stuff
17 here and it just kind of came to me.

18 Q (By Mr. Collins) Exhibit 80 --

19 A 80.

20 Q -- if I may.

21 A Is that a new one or --

22 Q I'm about to hand it to you.

23 A Okay. I guess it's a new one, then.

24 Q And I have many copies of this, none

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1 of which I can now find, so just take a look at
2 that, if you would.

3 You were the author of that
4 document?

5 A Same answer, not signed, but yes.

6 Q You -- you -- and you -- you wrote it
7 on or about the date indicated --

8 A Yeah, it's --

9 Q -- in your duties as CEO?

10 A Excuse me.

11 Q Is that right?

12 A Yes.

13 Q What happened within the last two
14 weeks, as stated there, to change the situation,
15 vis-a-vis the impact of Costco?

16 A I think in the first place, for me to
17 give you a better answer, give me the reference to
18 the two weeks, and I think I can do a better job
19 for you.

20 Q May I?

21 A Sure.

22 Q Sorry to take it back.

23 In the beginning it says: One
24 thing that is hurting us badly is Costco. It was

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1 a problem before, but has greatly escalated in the
2 last two weeks and will be very difficult in Q4 --

3 A Okay.

4 Q -- around Christmas.

5 A That's what you're referring to?

6 Q Yes.

7 A I'm forecasting to the fourth
8 quarter, and I'm saying it's -- it's my analysis
9 or the analysis, based on information that's been
10 given to me, that there's -- I didn't go into this
11 detail, but there's two factors at work here.

12 One is the significant
13 fall-off in the market. I mean, that's the big
14 one, of course, from the Callaway statement, and
15 so on and so forth. And then the fourth quarter
16 is historically a weak quarter anyway. It's one
17 of the weakest -- I think it's the -- I think it's
18 the weakest quarter of -- of the fiscal year.

19 So anything that goes on is
20 now much more sensitive than it was before. And
21 I'm -- I am, in this memo, forecasting to the
22 board what I see happening in Q4.

23 Q Respectfully though, the question I
24 asked was: What happened in the last two weeks

48 (Pages 186 to 189)

Page 190

1 that you refer to in the first paragraph?

2 A And I think my answer is that in the
3 last two weeks, I had sat down and I'd -- I want
4 to use correct English. In the last two weeks, I
5 had undergone the process of sitting down and
6 taking a look at what was coming up over the next
7 quarter, and this memo was the result.

8 Q Well, then, during the two weeks
9 before October 8, did something happen to make you
10 think that Costco represented more of a concern
11 than you had previously thought?

12 A I would say it was the awareness of
13 how -- the -- the increasing severity of the
14 market drop. And again, as I said, anything that
15 I had encountered before had all of a sudden taken
16 on new significance, as, you know -- as
17 a percentage of a bad situation, so to speak.

18 Q But now, you didn't say that in that
19 memo. Was that just because your -- you were
20 inartful in the memo, or is it instead because you
21 were being coy?

22 A Oh, I'm not very coy. I'm sorry.
23 Nobody's ever accused me of being coy. I --
24 I'm -- I just -- this is what I believed to be

Page 191

1 true.

2 Q Let me take a look at that again, if
3 I may.

4 A Sure.

5 Q Now, it says here: We estimate a
6 negative sales effect in Q4 of 20 to 25 percent,
7 based on a market survey (customers who refuse to
8 buy).

9 A Yes.

10 Q In that -- what was the basis of --
11 tell me what the market survey was.

12 A I can only guess it was something
13 that Chip provided me.

14 Q And the 20 to 25 percent that you
15 estimated was based on customers who refused to
16 buy for what reason?

17 A I have no idea.

18 Q When you sent this memo, was there
19 anybody who wrote back a response?

20 A Same answer as before. If you have a
21 document, I don't remember anything.

22 Q When you wrote this memo, you
23 believed what you set forth in the memo at the
24 time you wrote it, correct?

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1 A Yes, I did.

2 Q Was this another time, writing this
3 memo, of your being -- I've forgotten what words
4 you used.

5 A Volatile?

6 Q Well, your words, not mine, sir.

7 A Okay.

8 Q Was this memo something you wrote
9 when you were volatile, or was this something that
10 you wrote when you were being clear-eyed and
11 analytical?

12 MR. BESSETTE: Or somewhere in
13 between.

14 THE WITNESS: Yeah, hopefully
15 somewhere in between.

16 A Well, it is what it is. I'm just
17 trying to lay out the facts as I see them. No
18 embellishment, you know, no finger-pointing. You
19 know, life is what it is, and our job is to get on
20 with it and do the best job we can. However you
21 describe that, I mean, it's not up to me.

22 Q (By Mr. Collins) Now, you say in
23 that first paragraph that Costco was a problem
24 before. Do you see that?

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1 A Yes.

2 Q But it's gotten worse in the last two
3 weeks.

4 A Yes.

5 Q Describe to me the change that
6 occurred.

7 A The change that occurs is relative to
8 the upcoming fourth quarter where, as I said
9 before, you have a combination of a basically slow
10 time of year anyway. A lot of major manufacturers
11 like to clean out their inventories that time of
12 year, so there's eight million deals in the
13 marketplace, and so it's a -- you know, it's a
14 tough market and it's a down market, so everything
15 that happens as a percentage of the total is going
16 to be exacerbated.

17 Q Now, Mr. Adams, when you wrote this
18 memo, you were writing this memo to inform the
19 members of the board of something you hadn't
20 informed them of before?

21 A I don't have any recollections of,
22 you know, this kind of information, me presenting
23 this kind of infor- -- me presenting this kind of
24 information to the board before.

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1 Q Well, the board knew that the fourth
2 quarter was coming up before you wrote this memo,
3 correct?

4 A Yeah.

5 Q The board knew because you had
6 disclosed it in public reports, as well as other
7 places I'm sure, that the fourth quarter is a weak
8 quarter on a seasonal basis for the company,
9 correct? This wasn't the first time you had
10 informed the board that the fourth quarter is a
11 seasonally weak time of the year, correct?

12 A I don't know if I informed them, but
13 let's say they knew.

14 Q Okay. So my question is the same:
15 What's the new thing that happened that prompted
16 you to write this memo?

17 MR. BESSETTE: Okay. This is
18 the third time, I think, but --

19 THE WITNESS: It's okay.

20 MR. BESSETTE: Let's do --

21 THE WITNESS: Maybe I'll get
22 it clearer if I keep going.

23 A You had a different marketplace. You
24 had a completely different marketplace. Once the

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1 B deals with Costco.

2 Am I reading that correctly?

3 A Yes.

4 Q And then C deals with an engraving
5 machine that is necessary to deal with Costco, not
6 with market downturn or Orlimar.

7 Is that accurate?

8 MR. BESSETTE: That's a
9 misstate, his prior testimony.

10 Q (By Mr. Collins) Well, what was the
11 purpose of the engraving machine?

12 A To be able to track product into the
13 field.

14 Q And that was necessary because of
15 competition with Orlimar?

16 A Could have been. Could have been a
17 million reasons. I mean, I -- if you would like
18 me to give you some, I certainly can, but it's --
19 it's -- there are a lot of reasons for being able
20 to track your product into the field.

21 Q Sure. Well, now, Paragraph 4 also
22 deals with Costco and not with Orlimar or general
23 market conditions, right?

24 A That's correct.

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1 Callaway memo came out and -- or I'm sorry -- the
2 Callaway commentary with the quarterly report,
3 that had a serious negative effect on the
4 marketplace.

5 And it's -- you know, again,
6 just being honest, it's not stated in here. I
7 don't -- I don't talk about it -- enough about our
8 competition, Orlimar. Maybe I was embarrassed.
9 But they were -- they were beating -- they were
10 beating us up in some areas.

11 Q (By Mr. Collins) Well, now, you --
12 you -- you entitled the memo --

13 A Here, I'll save your --

14 Q Thank you.

15 A -- save your -- I have a copy now.

16 Q I don't have a microphone yet,
17 though.

18 MR. COLLINS: Thank you.

19 Q (By Mr. Collins) You entitled the
20 memo Fourth Quarter. The first paragraph refers
21 to Costco, not to Orlimar, not to Callaway.

22 Am I reading that correctly?

23 A Yes.

24 Q And then A deals with Costco.

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1 Q And then the next paragraph after
2 that, talking about how Costco makes its money,
3 also deals with Costco and not Orlimar or general
4 market conditions or seasonal problems in the
5 fourth quarter, right?

6 A That's -- right, yes.

7 Q And so are you really arguing that
8 Paragraph C about committing \$125,000 to an
9 engraving machine is something that you were
10 discussing in this context because of that million
11 reasons, or you were discussing it in this context
12 because of the serious problem posed by Costco?

13 A I was discussing it in that context
14 as a way of tracking product into the field, that
15 if applicable to Costco, certainly we could use.

16 Now, this says we have
17 committed \$125,000 to an engraving machine. I
18 suspect that thing wasn't up and running until
19 about the following, I don't know, March or April.
20 It --

21 Q But of course --

22 A -- certainly wasn't imminent.

23 Q Forgive me.

24 But, of course, the reason you

50 (Pages 194 to 197)

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1 discuss it here is because of Costco, right?
 2 A I think it's -- I think it's a fair
 3 statement that this is in reference to Costco,
 4 yes.
 5 Q Now, as we go on in the memo, after
 6 you write: Costco makes its money from
 7 memberships --
 8 A Excuse me.
 9 Q -- there's another sentence, and then
 10 you say: Our normal channels can compete.
 11 Retailers get mad and stop buying.
 12 Do you see that?
 13 A Yes, I do.
 14 Q All of that is because of Costco,
 15 right?
 16 A It's influenced by Costco, yes.
 17 Q Well, you didn't talk about anything
 18 else so far in this memo, so are you saying it's
 19 not caused by Costco, or are you saying it's
 20 caused by something else?
 21 MR. BESSETTE: Wait,
 22 objection, argumentative, and you're trying to
 23 misstate his testimony.
 24 What he has explained to you,

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1 Todd --
 2 MR. COLLINS: No testimony,
 3 please.
 4 MR. BESSETTE: I need to
 5 clarify the record here.
 6 MR. COLLINS: Counsel --
 7 MR. BESSETTE: You're
 8 misstating his testimony.
 9 MR. COLLINS: I hear the
 10 objection, and that's fair. It's not fair to give
 11 testimony, please.
 12 MR. BESSETTE: I'm not giving
 13 testimony, but don't mislead and mischaracterize
 14 what this witness said.
 15 MR. COLLINS: Sold.
 16 Q (By Mr. Collins) Then we go -- go
 17 down to the second-to-the-last paragraph: We
 18 estimate a negative sales effect in Q4 of
 19 20 percent to 25 percent based on a market survey
 20 (customers who refuse to buy).
 21 Now, we talked about this a
 22 moment before, but now that we've reviewed the
 23 contents of the memo up to this point, is it your
 24 contention that the 20 to 25 percent estimated

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1 negative sales effect was from anything other than
 2 Costco, as you expressed it in this memo?
 3 A Absolutely.
 4 Q Okay. Well, then, how come the word
 5 "Orlimar" and the word "Callaway" and the words
 6 "market conditions in the industry as a whole"
 7 don't appear anywhere in this memo?
 8 A Because up to then I'm talking about
 9 Costco. I'm informing the board about Costco.
 10 Q So the first time that you're talking
 11 about anything else other than Costco is in the
 12 paragraph where you say: We estimate a negative
 13 sales effect in Q4? That's the first time you're
 14 talking about everything else?
 15 A I'm saying that I can't make that
 16 jump. I can't -- I don't follow the logic -- it
 17 just doesn't make sense to me that I'm saying that
 18 we've -- we estimate a negative sales effect in Q4
 19 of 20 to 25 percent based on Costco, because I
 20 think I would have said that if that was the case.
 21 Q Okay. Well, we all agree the
 22 document speaks for itself. Perhaps there were
 23 some code words here or something between you and
 24 the board that I don't understand.

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1 MR. BESSETTE: You know, I'm
 2 going to object. If you want to ask this witness
 3 what he meant -- you seem to be afraid to do that.
 4 Why don't ask you him what he meant when he wrote
 5 it?
 6 MR. COLLINS: Thank you.
 7 MR. BESSETTE: Instead of kind
 8 of using these insinuations.
 9 MR. COLLINS: Not a -- not a
 10 problem.
 11 Q (By Mr. Collins) Was there any
 12 reference to Orlimar, general market conditions,
 13 or Callaway anywhere prior to: We estimate a
 14 negative sales effect in Q4 of 20 to 25 percent?
 15 MR. BESSETTE: The document
 16 speaks for itself, Todd. Okay. If you want to
 17 look for the word "Orlimar" -- you've already
 18 asked him that twice. It doesn't appear there.
 19 MR. COLLINS: Right. Well,
 20 I --
 21 MR. BESSETTE: If you want to
 22 ask him what he meant when he wrote it, ask him.
 23 Why are you afraid to ask him that?
 24 MR. COLLINS: Because I -- I

51 (Pages 198 to 201)

Page 202

1 think I have asked him, I think he answered, and
2 we can ask him again if you want, but not yet.

3 Q (By Mr. Collins) Is there any
4 reference to Orlimar, Callaway, or general market
5 conditions, using words other than those, anywhere
6 in this memo?

7 MR. BESSETTE: Objection,
8 asked and answered, argumentative. And if you ask
9 him again, I'm going to instruct him not to
10 answer. I've given you two or three warnings on
11 this.

12 MR. COLLINS: You -- you --
13 well, your warnings chill me, but I would like an
14 answer.

15 MR. BESSETTE: Give it to him
16 for the third and final time.

17 A Sure. It's a Costco memo. That's
18 what it talks about.

19 Q (By Mr. Collins) That's fine.
20 Now, with regard to the last
21 paragraph, you say: Except for a lesser amount in
22 the pipeline, we'll have this under control by Q1
23 '99, but it's a problem that has become a major
24 issue in the last two weeks.

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1 Tell me again why it's become
2 a major issue in the last two weeks.

3 A Because you are facing very, very
4 difficult market conditions in Q4, and the natural
5 cycle of Q4 being what it is, but you're facing
6 the reaction of other manufacturers to the extreme
7 slowdown. You know, companies are in a lot of
8 trouble financially. I think I've talked about
9 that in other documents. And you know, what I'm
10 basically saying here is Costco is something we
11 need to get a grip on, you know, for the next four
12 weeks.

13 Q What was the basis of asserting that
14 what you do in the first part of that sentence:
15 Except for a lesser amount in the pipeline, we'll
16 have this under control by Q1, '99? What was the
17 basis of that?

18 A I -- I would be speculating, that
19 I -- it was such a -- it wasn't a large number of
20 pieces overall. It just becomes a problem because
21 of the relatively, but it's such a -- it's not a
22 large number of pieces, and they probably sell
23 them all over the holidays. And in -- in the
24 pipeline by means of the back of their warehouse

Page 204

1 or something.

2 Q Thank you. In your last answer when
3 you said "it's not a large amount of pieces," what
4 did you mean? Did you mean it's not a large
5 amount of pieces in Q1 '99, or it's not a large
6 amount of pieces as of October 1998 and the
7 preceding two weeks?

8 A I think what I'm alluding to here is
9 the fact that this -- excuse me -- we're not
10 talking about a significant quantity of product
11 that we could see that's going to happen in the
12 next two and a half months and we'll have it under
13 control. It will -- some of it will just
14 naturally sell through. And by Q1 '99, it will be
15 a nonissue.

16 Q So if it's not a significant amount
17 of pieces over the next two and a half months, why
18 has the problem greatly escalated in the last two
19 weeks and will be very difficult in Q4,
20 Christmastime?

21 A Because as a percentage --

22 MR. BESSETTE: This is the
23 third time.

24 THE WITNESS: Yeah.

Page 205

1 A As a percentage of the overall
2 marketplace, all problems got greater.

3 Q (By Mr. Collins) Were there more
4 Tight Lies available for sale in the two weeks
5 preceding October 8, 1999, than had been the case
6 before the IPO?

7 A More Tight Lies for sale at Costco,
8 you mean?

9 Q Right.

10 A I don't have any -- excuse me. I
11 don't have any idea.

12 Q Were there more Tight Lies available
13 for sale in the two weeks preceding October 8,
14 1998, than there had been during the period since
15 the IPO?

16 A Again, unless we have -- I could see
17 a specific document, I -- I can't remember the --
18 the -- you know, that kind of detail.

19 Q And what was the source of your
20 information as of October 8, 1998, as to what
21 Costco was doing or how many Tight Lies they were
22 selling or where?

23 A I don't specifically remember. I
24 think Chip helped identify the problem, but I

A. 9

W.D.C. MacKenzie

TEL:14032432457

Apr 16 98 10:24 No.008 P.01

WDC MACKENZIE DISTRIBUTORS LTD



1140 B 44TH AVENUE S.E.

CALGARY, ALBERTA

T2G 4W6

PHONE# (403) 243-4005

FAX# (403) 243-2457

E-MAIL: WDCMACKG@CADVISION.COM

DATE Apr. 27/00 EXHIBIT NO. 9

EXAM. OF Greg Pratt

Kim Morosse

COURT REPORTER CSR(A)

Amicus Reporting Group

FACSIMILE TRANSMISSION SHEET

TO: ADAMS GOLF ATTN: CHRIS DEEBE

FAX #: _____ DATE: APRIL 16th

FROM: PAUL HOLFORD TIME: _____

TOTAL NUMBER OF PAGES INCLUDING COVER: 5

COMMENTS: THANKS

Chris

WH

ADAMS 009331

W.D.C. MacKenzie

TEL: 14032432457

Apr 16 98 10:24 No.008 P.02



WDC MACKENZIE DISTRIBUTORS LTD.

Phone: (403) 243-4005

1140B - 44th Avenue S.E., Calgary, Alberta T2G 4W6

Toll Free: 1-800-395-6745

Fax: (403) 243-2457

April 15, 1998

CHRIS BEEBE

Adams Golf

2801 East Plano Parkway

Plano, Texas

75074

Re: Parallel Exportation

Dear Chris,

As per our conversations, here is the information that you have requested regarding Costco Wholesale.

1) Importation Costs :

Graphite - Cost : \$105.00 U.S.

105×1.47 exchange rate (average) = 154.35 Canadian

$154.35 \times 7\%$ GST (Goods and Services Tax) = 165.15

$165.15 \times 2\%$ Duty = 168.45

168.45×2 Brokerage = 171.81

171.81×1.47 Canadian Freight p/piece = \$173.28 Total Cost Canadian

Wholesale = \$235.00, Recommended Retail = \$329.99

299 - 149

Steel - Cost : \$77.00 U.S.

77×1.47 exchange rate (average) = 113.19 Canadian

$113.19 \times 7\%$ GST (Goods and Services Tax) = 121.11

$121.11 \times 2\%$ Duty = 123.53

$123.53 \times 2\%$ Brokerage = 126.00

$126.00 + 1.47$ Canadian Freight p/piece = \$127.47 Total Canadian Cost

Wholesale = \$175.00, Recommended Retail = \$269.99

299 - 270

2) Affected Accounts : Nationwide

The full impact of discounting by Costco Wholesale is yet to be fully understood. We have been able to narrow what we feel will be affected accounts given the source of areas of concern we have identified.

ADAMS 009332

W.D.C. MacKenzie

TEL: 14032432457

Apr 16 98

10:25 No.008 P.03

Affected Accounts Continued :

British Columbia : Including The lower Mainland, Vancouver Island, Okanagan, Interior and the Kootenays

Retail Operations : 21 Locations

Green Grass Operations : 64 Locations (or 28% of possibles)

Alberta : Including South, South Central and Northern Alberta

Retail Operations : 15 Locations

Green Grass Operations : 48 (or 34% of possibles)

Ontario : Including Metro-Toronto, South West Ontario, Ottawa Valley and the LakeHead region

Retail Operations : 52 Locations

Green Grass Operations : 168 Locations (or 29% of possibles)

Quebec :

Retail Operations : 15 Locations

Green Grass Operations : 78 (or 23% of possibles)

Manitoba / Saskatchewan :

Retail Operations : 7 Locations

Green Grass Operations : (or 19% of possibles)

Maritimes : Including Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland

Retail Operations : 3

Green Grass Operations : 9 (or 14% of possibles)

Total Number of Retail Accounts : 113

Total Number of Green Grass Accounts : 388

ADAMS 009333

W.D.C. MacKenzie

TEL: 14032432457

Apr 16 98 10:25 No.008 P.04

Affected Accounts Continued

Determined By :

Proximity to Costco outlet
Private memberships or customer loyalty
Resort play
Type(s) of Hard Goods sold

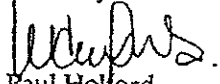
To date we have applied our "60 Day Satisfaction" rule to approximately 70 clients.

We have had 108 pieces returned or cancelled since Costco has brought to market Adams Golf.

Another matter for consideration, : U.S. citizens who are also card carrying Costco members can purchase Adams Golf clubs in graphite for \$161.85 retail, at current rates of exchange in Canada. This may adversely affect relations with Adams retailers in the U.S., particularly those close to the border.

This is all of the information we have to date. If there is anything further we can provide you, please let me know. Thanks alot.

Sincerely,


Paul Holford

ADAMS 009334

ADAMS 009335

A. 10

To: Barney Adams
Mark Gonsalves

May 7, 1998

From: Chris Beebe

Re: Notes From Canadian Visit

I supply these notes in order to give you an outline of what was discussed during my distributor visits. We do need to discuss the Costco issue and agree on a course of action.

4/28-29/98 - WDC Mackenzie - Calgary, Alberta Canada

MARKET

Approximately 1,200 courses with pro shops, and 400 retailers.

- Many courses opened just last week, especially around Calgary.

Duty will be eliminated in one year.

Canadian PGA buying shows from second week in October to second week in November.

+ July is usually the largest sales month in Canada, so we need to prepare for large late June/early July shipments to WDC.

FORECAST

Forecast was for 15,000 clubs this year, but WDC will hit that number with their next order. New target is 40,000 clubs, this year (22% left handed!)

+ Need to work with them on estimated forecasts in order to try to meet their needs.

+ Buying display racks from Adams' supplier direct at around \$100 - is this the right cost?

KNOCK OFFS

Celebrity, 703 Pleasant Valley Road, Diamond Springs, CA 95619 T-916-622-9387/800-829-4653

F-530-622-5963 Dean "Deano" Ramstad

Called Canada saying that they had something that was "almost an Adams". I will ask them to purchase one for Adams. We are already working on these bums.

PROMOTIONAL IDEAS

- Airfare for x number of WDC people to the PGA Show if certain numbers are reached

- For \$2800, Ping will fly people to Phoenix, house them and train them in use of fitting center, then give them the fitting center for no charge. Any chance of a similar program in Canada?

- The Score Demo Tour is holding 400 Demo Days across Canada, Adams gave 36 clubs to help pay for this.

- Discussed the importance of golfers on the various pro teams and their influence through charity events.

- Very interested in Licensing - Get this together before Las Vegas

- Shirt line from North Carolina - Taylor Made and now Lynx might be buying from them. \$12-\$15/shirt. Company is called Willow Pointe - 150 dozen minimum?

- Lorne Rubenstein is one of Canada's best known golf writers (see attached article) and one of Barney's good friends. Can anything be arranged in order to get some more good press for Barney, Adams and WDC? He is based in Toronto.

- Faris MacMullin, president of Softspikes, and Barney are good friends. WDC represents both firms. WDC will have 60 club pros together for a day of golf. This would be a great opportunity for both presidents to speak to a captive audience of influential pros and enjoy some golf with these pros.

PROBLEMS

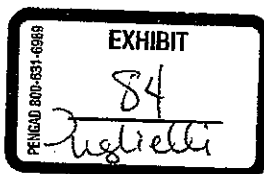
No demo clubs yet

- Have sold them at 5% above cost to pros, which equals 18% off wholesale

- Industry average is 25-30%

Nevada Bob's ran an ad without clearing it with WDC or Adams - will talk with them about this.

ADAMS 009322



- WDC needs to adhere to this also.
- Some discrepancies with shipments, working this out with Marc and Nando. Not a major problem.

COSTCO

It has been a very big thorn in their side. 600 woods have made it into Costco stores across Canada (how many stores?) Has created a mixed reaction between the various accounts.

- WDC told the retailers that within 60 days, if any woods were left in the stores, then WDC would buy back any stock the retailers wished to return.

Costco is a very large chain in Canada and has a huge membership. Big impact on many middle-lower end shops.

Feeling is that now that most Costco's are out of most *Tight Lies*, so there is no reason to do anything in terms of price support.

However, we need to put a plan in place in case this occurs again, as several other major companies (Callaway, Ping and Taylor Made) have all reacted to similar problems by buying back the Costco stock or helping pros match the Costco pricing. If nothing is put in place, Adams Golf could lose a great deal of pro and retail support.

Suggested policy (all prices in Canadian \$):

- Prices of *Tight Lies* run from \$349 to \$299, with top prices found in private courses which are not affected by Costco. Will concentrate the policy on the \$329 level on down (unless prices falls in the mean time).
- Will split customers into three price points - \$329, \$315 and \$300. Also need to split them into those who can be trusted and those who will abuse the system as well as which customers are close enough to a Costco store to be affected.
- While most pros feel that a \$50 difference between their prices and retailers such as Nevada Bob's is not too difficult to overcome, they feel that they need a smaller difference to deal with Costco. We decided to set that at \$20.
- The retailers do not feel that they have any such advantage, believe to a man that they must match the Costco prices. However, many feel that less than half their sales would be impacted.
- Pros would get support to offer *Tight Lies* at \$270 to compete with Costco's \$249 if challenged during a sale. Adams Golf would offer the difference to be made up in free product (pro price of \$235).
- Those pros that can be trusted would report to WDC how many sales were affected by the Costco pricing each week (those clubs that they had to sell at \$275).
- Those that could not be trusted would have an inventory of their stock taken. WDC would then estimate what percentage of their sales could be impacted by the Costco pricing. (The larger the potential match with Costco patrons, the larger the percentage.) They would receive "no cost" equipment up front.
- Weekly reports regarding stock in the various Costco stores would be made, and once the majority of stock is gone, the program would end.
- Need to review this with Barney and MG in order to get final approval.

VISITS

Big shows - The travelling shows take place between the second week in Oct. through the second week in Nov. Mid October the best timing, can fit both the Toronto and the Edmonton shows, the largest of the 7 shows.

Next visit suggested for the first week in August - Hit BC area, then participate in meeting with pros (see "Promotions" above).

Calgary Stampede is the first Friday in July and the following ten days

SET UP

WDC now has 6-8 agents selling in the field, as well as the equivalent of 8 full time people on inside sales/customer service.

- Call all key customers every two weeks

ADAMS 009323

- Learned a great deal from both Adams and Rick Jerret regarding how to run inside sales, infomercial, etc.
- Handling Softspikes and Rick's grips Absolute, as well as corporate logo apparel, bags, key chains, etc.

Ship goods through a broker in Sweetwater, Montana, usually takes 5-7 days to reach Calgary

E-mail to wdomackg@cadvision.com

Ryan is president – doesn't like making calls on pros, but enjoys running the company and giving it vision. Vance is VP – very marketing oriented, not money oriented. Is great with demo days and spike changing, is a real people person. But needs to be watched when handling the business end.

Dave is VP – Friend of Ryan's, worked for him at Sears and then at a bank. One of founders of the their firm. Idea man, contact with most of the suppliers, very sure of himself and can come across as cocky, self-assured. Handles the Softspikes orders

Greg is National Sales Manager – Banking background as well as heavy retail buying experience. Orders the Adams products and handles the inside staff and agents.

Joe is Customer Service – Good guy, around 30 – quiet but works well with the others.

Chris is the Receptionist

Two big guys in back doing the packing and shipping, plus one friend of Dave's does evenings three times per week. Largest is Dave's brother.

Two lovely ladies and three others do the inside sales and the customer service.

VISITS

Country Hills Golf Course

Calgary Golf & Country Club

Nevada Bob's - Mike Rockwell – National Buyer

Springbank Links at Emerald Bay

Banff Springs

ADAMS 009324

A. 11

April 29, 1998

Attention: Chris Beebe

Here is a list of accounts, in other parts of the country, that you may want to call for their input regarding the Costco impact.

Keith Thomas

CEO of Dynamic Golf - 16 stores in Eastern Canada.

I mentioned to him that you may be calling him, for his comments.

P: 416-490-9855

Wilf Howson

Head of Pro Golf - 11 stores in Canada

I mentioned to him that you may be giving him a call.

P: 905-383-6226

Bruce Murray

Director of Golf at Shaughnessy Golf & CC - Vancouver, British Columbia

He wants us to pick up his order of Adams clubs.

Shaughnessy is a well respected course in the Vancouver area, as is Bruce Murray.

P: 604-266-6248

Bill Robinson at Nevada Bob's - owns four stores in the Toronto area

You can call him re his concern with Costco in his area. He is a supporter of Adams, and has bought product.

P: 416-487-1161

905-305-7777

416-755-1090

416-733-7873

Joe Brien - Head Pro at Newlands G & CC - private club

He cancelled a \$7,000 order of Adams because of the Costco product.

P: 604-534-9211

Bay Se Ke
Glen Boeske - General Manager, Ravencrest GCC in Edmonton Alberta

Darren Evans - Head Professional

Currently has the only Adams Clubfitting System in Canada. Is located very close to a Costco which is stocking Adams.

P: 403-475-9400

Steve McGill - Owner / Operator, Prestwick Golf Shop (Retail) in Ajax, Ont.

Called to advise us that Adams was available in Costco, did not feel it was warranted to return product at this time P: 905-619-0333

ADAMS 009311

A. 12

s15306d2196 (page 5)

5/7/98

Kerth Thomas

F-416-420-9792

Major Concern - different things have occurred

- buy out
- match \$

Makes them look bad, - Manufacturers are trying to pro
- should be able to track problem

Dealing with Oliver now, promises it won't get into Costco stores.

Tony Shuster

F) 905-624-8193

- Source has to be sent off

Bruce Murray

ADAMS 009315

A. 13

DATE Apr. 27/06 EXHIBIT NO. 19
EXAM. OF Greg Pratt
Kim Morosse
COURT REPORTER CSR(A)
Amicus Reporting Group

4/28/98 - WDC Mackenzie Greg Pratt, Dave Brown, Ryan Magnussen, Vance Mackenzie,

MARKET

Approximately 1,200 courses with pro shops, and 400 retailers.

- Many courses opened just last week, especially around Calgary.

Duty will be eliminated in one year.

Canadian shows from second week in October to second week in November.

- + July is usually the largest sales month in Canada, so we need to prepare for large late June/early July shipments to WDC.

FORECAST

Forecast was for 35,000 clubs this year, but WDC will hit that number with their next order. New target is 40,000 - 60,000 clubs this year (22% left handed!)

- + - Need to see discrepancy report WDC uses for shipments - use with other distributors?

Ran out of several products while I was there and asked for quicker service if possible. Need to work with them on estimated forecasts in order to try to meet their needs.

Buying display racks from Adams' supplier direct at around \$100 - is this the right cost?

KNOCK OFFS

Celebrity, 703 Pleasant Valley Road, Diamond Springs, CA 95619 T-916-622-9387/800-829-4653

F-530-622-5963 Dean "Deano" Ramstad

Called Canada saying that they had something that was "almost an Adams". I will ask them to purchase one for Adams.

PROMOTIONAL IDEAS

Airfare for x number of WDC people if certain numbers are reached

For \$2800, Ping will fly people to Phoenix, house them and train them in use of fitting center, then give them the fitting center for no charge. Any chance of a similar program in Canada?

The Score Demo Tour is holding 400 Demo Days across Canada, Adams gave 36 clubs to help pay for this.

Discussed the importance of golfers on the various pro teams and their influence through charity events, etc. We began thinking of ways to get the players to start playing our clubs:

- Pick out 1-2 as special players, give them clubs
- They tell others that they have paid for these clubs, sending them to a certain Adams contact person.
- Find out what US does and make sure that the two programs match
- Call Stu Short to make sure that this was how it was done

Very interested in Licensing - Get this together before Las Vegas

Shirt line from North Carolina - Taylor Made and now Lynx might be buying from them. \$12-\$15/shirt

- Willow Pointe - 150 dozen minimum?

Lorne Rubenstein is one of Canada's best known golf writers (see attached article) and one of Barney's good friends. Can anything be arranged in order to get some more good press for Barney, Adams and WDC? He is based in Toronto.

Faris, president of Softspikes, and Barney are good friends. WDC represents both firms. WDC will have 60 club pros together for a day of golf. This would be a great opportunity for both presidents to speak to a captive audience of influential pros and enjoy some golf with these pros.

PROBLEMS

No demo clubs yet

- Have sold them at 5% above cost to pros, which equals 18% off wholesale
- Industry average is 25-30%

Nevada Bob's ran an ad without clearing it with WDC or Adams - will talk with them about this.

- WDC needs to adhere to this also.

Some discrepancies with shipments, working this out with Marc and Nando. Not a major problem.

ADAMS 009405

COSTCO

It has been a very big thorn in their side. 600 woods have made it into Costco stores across Canada (how many stores?) Has created a mixed reaction between the various accounts.

- WDC told the retailers that within 60 days, if any woods were left in the stores, then WDC would buy back any stock the retailers wished to return.

Costco is a very large chain in Canada and has a huge membership. Big impact on many middle end shops. Feeling is that now that most Costco's are out of most *Tight Lies*, so there is no reason to do anything in terms of price support.

However, we need to put a plan in place in case this occurs again, as several other major companies (Callaway, Ping and Taylor Made) have all reacted to similar problems by buying back the Costco stock or helping pros match the Costco pricing. If nothing is put in place, Adams Golf could lose a great deal of pro and retail support.

Suggested policy (all prices in Canadian \$):

- Prices of *Tight Lies* run from \$349 to \$299, with top prices found in private courses which are not affected by Costco. Will concentrate the policy on the \$329 level on down (unless prices falls in the mean time).
- Will split customers into three price points - \$329, \$315 and \$300. Also need to split them into those who can be trusted and those who will abuse the system as well as which customers are close enough to a Costco store to be affected.
- While most pros feel that a \$50 difference between their prices and retailers such as Nevada Bob's is not too difficult to overcome, they feel that they need a smaller difference to deal with Costco. We decided to set that at \$25.
- Pros would get support to offer *Tight Lies* at \$275 to compete with Costco's \$249. Adams Golf would offer the difference (\$54, \$40 or \$25) to be made up in free product (pro price of \$235).
- Those pros that can be trusted would report to WDC how many sales were affected by the Costco pricing each week (those clubs that they had to sell at \$275).
- Those that could not be trusted would have an inventory of their stock taken. WDC would then estimate what percentage of their sales could be impacted by the Costco pricing. (The larger the potential match with Costco patrons, the larger the percentage.) They would receive "no cost" equipment up front.
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VISITS

Big shows - The travelling shows take place between the second week in Oct. through the second week in Nov. Mid October the best timing, can hit both the Toronto and the Edmonton shows, the largest of the 7 shows.

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Calgary Stampede is the first Friday in July and the following ten days

SET UP

WDC now has 6-8 agents selling in the field, as well as the equivalent of 8 full time people on inside sales/customer service.

- Call all key customers every two weeks
- Learned a great deal from both Adams and Rick Jerret regarding how to run inside sales, infomercial, etc.
- Handling Softspikes and Rick's grips Absolute, as well as corporate logo apparel, bags, key chains, etc.

Ship goods through a broker in Sweetwater, Montana, usually takes 5-7 days to reach Calgary

E-mail to wdcmackg@cadvision.com

ADAMS 009406

VISITS

Country Hills Golf Course – Brian Miller (pro) has supported WDC from the beginning with Adams (3 years ago?) – also a big Ping supporter. 36 hole course, 18 private and 18 semi private. Built on some ridges and lots of ups and downs. Just getting to build the clubhouse now.

Was not too bad regarding the Costco problem, suggested several points

- Offset the pricing of Costco with payments to allow them to reach their standard margin. Would not want this on every club, just the ones that are forced to discount due to customer pressure to match Costco.
- Buy out the Costco products to eliminate the problem.
- Co-op ads with pros and WDC to either to notify the customers of the Adams Golf product being sold through pro shops, or to highlight the places that WDC will be holding their own demo days.

Felt that there was no need to match Costco price exactly. Could work with \$50 difference between MacGowen or Nevada Bob's but feels that with Costco the pricing differential had to be less, probably \$15-\$25 dollars. Wants to continue to make his 22%-25% margins.

Liked Ping's way of using various local pros in ads internationally in order to cement relationships as well promote Ping. Good feelings could be had all around with such grass roots marketing.

Calgary Golf & Country Club - Vance's home club, membership very monied and most are quite old. Numerous captains of industry and famous lawyers, doctors, etc. 15 year waiting list. Located in the city and most people do not know that it exists. Will hold demo days here. Saw the #1 senior and super senior player as well as the man who ran Ping's demo days. Ping man left Ping due to low pay (\$100/demo day), is interested in working with WDC. Former club pro at Calgary, very involved with women's golf and instruction.

Nevada Bob's - Mike Rockwell – National Buyer. Largest customer for WDC, but held up orders during the Costco problem. Now that Costco has next to no clubs, Nevada Bob's has next to no clubs and Greg, Ryan and I have come to visit, they are willing to reorder in May. Also couriered a check for \$20,000 to WDC just after we left, the first time that happened.

Had a discussion regarding the support of Adams and WDC, then discussed our steps to minimize the chance of another parallel shipment. He vented his spleen and discussed options in case this occurred again. We went over various options and stated that Adams Golf would have a plan in place in case it ever was needed. Also stated that we wouldn't match prices as they had to do a bit of selling, and he disagreed on this point.

I brought up the problem of not having his ad reviewed before it was placed, and of the impact that this would have on Adams and WDC. Reminded him of the importance of protecting a trade name and he said that it would not happen again.

Springbank Links at Emerald Bay – Ken Conroy. Stopped by on the way to Banff Springs to drop off a few clubs. New course that is just getting a clubhouse (interior racking from a failed Timberline store – very attractive). Good guy, went around to the distributors to pick up various clubs and bags since his boss won't allow him to buy what he wants yet. Already a great looking course.

Banff Springs – Doug Wood 27 hole course in Banff, in midst of rehabilitating the last 9 holes. Attached to the CPR Hotel, site of many rounds of golf by locals as well as thousands of Asian tourists. A very high profile course with a great reputation.

ADAMS 009407

They are adding target greens and bunkers to their driving range, as well as a number of greens for short course practice. Will have Adams and Callaway on the range as main sponsors as well as two other companies. The products of these manufactures will be available for demo and use in short course instruction.

- ++ Note to all regarding the need to have all ads reviewed before publication.
- + Have Calgary's former pro/demo day man help get us into ladies' hands.
- + Costco estimated membership, # of stores.
- + Los Altos Golf & parallel shipments to McGowen Golf, Canadian discounters??
- + Top courses/province
- + Send up logo work and all the ads for use up here. Need IBM compatible.
- + See if it is possible to add in small letters "In Canada call 1-800-XXXX"

Ryan is president – doesn't like making calls on pros, but enjoys running the company and giving it vision. Good relation with Sherry, able to hold funds for a while due to exchange fluctuations, but does not want to owe money. Good about paying everything at this time. 36 1/11/61

Vance is VP – very marketing oriented, not money oriented. Is great with demo days and spike changing, is a real people person. But needs to be kept out of the business end.

Dave is VP – Friend of Ryan's, worked for him at Sears and then the bank. One of founders of the their firm. Idea man, contact with most of the suppliers, very sure of himself and can come across as cocky, self-assured. Others have a bit of trouble with his self-important attitude. Handles the Softspikes orders and sees himself as in charge of Vance and Greg. 36 7/1/61

Greg is National Sales Manager – Banking background as well as heavy retail buying experience. Orders the Adams products and handles the inside staff and agents. Nice guy, one child 12 who gets all of his attention. Good mind, but quiets when Dave attends meetings.

Joe is Customer Service – Good guy, around 30 – quiet but works well with the others.

Chris is the Receptionist –

Two big guys in back doing the packing and shipping, one friend of Dave's does evenings three times per week. Largest is Dave's brother.

Two ladies and three others do the inside sales and the customer service.

7/8/98 – Plano – Dave Brown, Greg Pratt, CB

Reviewed bags and got suggestions – two sets needed for shows.

- Dave suggested looking at Uni-Max. Will send me the name later.
- Copy of diskette needs to be given to WDC.

Visits – August 4 to Vancouver, 5th PM to Calgary, 7th home

- Toronto Show – last week in October – come in early on Monday, set up, then visit retailers – see pros at shows.

Caps – can they do a Canadian hat? Licensed products to help with costs? Perhaps not the right time.

Demo prices are \$69 for graphite.

Reviewed possible programs for next year and how to handle them.

Costco Problem:

- Two counts in the next 4 weeks to see what is left.
 - Feels sales are down at least 10% due to Costco. Could be more due to the big drop in numbers and the historical sales strength of the June-July-August period.

ADAMS 009408

- No real idea of what will be the demand for "free" clubs
- Nevada Bob's move to Olimar has hurt, and what part of this was caused by Costco?

PAYMENT

Will only need one of the two big shipments here, but not sure when that will be

- Can either break down both or ship one on terms
- Need to look at setting up a payment schedule that meets both company's needs and then apply terms to the shipment of goods (as long as the schedule is kept).
- Ryan will examine the orders and reply on acceptability of schedule tomorrow.

Olimar is putting a great deal into television commercial and magazines ads. \$100 more at retail.

1999

- US sales have to be controlled, trans-shipments not allowed
- Costco can't have any product
- Sales programs must be offered by Adams
- Interest in the fairway wood category must continue to be strong
- Any soft launch of a new product will need to include Canada
- Canadian dollar will hold near the 50 cent mark

4.5 million golfers

Would like to see a advertisement schedule for US/Canada

+ Credit for the 36 clubs for the Score Demo Tour

, Faldo and Canadian Open? Can they use him? How?

+ Rubenstein and Barney with Faldo for 18 holes as an award for a sales contest? The National and Nick/Skins Game

8/5/98 - Vancouver - Ryan, Greg, CB

Will give the 18 clubs for the SCORE GVO demo week at N/C. Also will give 100 clubs at \$69.

Discussed the bag program and reviewed pictures.

Also looked at caps, umbrellas, towels, clothing.

Staff shirt possibilities and the fax to all about what they have made with Adams name on it this year.

Thinking of spiffs or incentives to move the product this fall.

Would like a half an hour with Barney in Las Vegas.

Inventory at around 4,500 clubs at this time.

+ Calls into the call center --

- All Canadian orders get shipped out of Calgary? We can then credit Canada each month for US wholesale.
- Shipment costs will be decided by WDC as well as the timing
- Give Canada a data base as well as tracking the flow of clubs.

ADAMS 009409

Meeting in Las Vegas at 12:00 noon to review next year, dinner that night.

8/22/98 – Las Vegas – Barney, Dave B. Greg P., MP, CB

Review of the year and the troubles that they have faced.

Growth of sales, Golf Channel help, 600 demo days, regional advertising, sponsorship of local tours,
splitting the sales force between Soft Spikes and Adams,

+ Faldo advertising copy would be a great help.

ADAMS 009410

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Adams Golf, Inc.
Customer Due Diligence Questionnaire

EXHIBIT

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<u>Customer Name</u>	<u>Contact Name</u>	<u>Interviewer Name</u>	<u>Date</u>
<u>Edwin Watts</u>	<u>Edwin Watts</u> <u>President</u> <u>(800) 874-0146x103</u>	<u>Patrick Walravens</u>	<u>4/21/98</u>

- 1) For how long have you been doing business with Adams Golf? *Over the last 4 years. Lots in the last 2 years since the Tight Lies came out.*
- 2) What is your role and title at your company? *CEO. We have 40 stores in 8 or 9 states.*
- 3) Which golf clubs does your company purchase from Adams Golf? At what price do you sell them? *We sell all models of Tight Lies. Including left handed versions. \$199 graphite and \$149 steel. We hold prices and don't discount. Don't know the cost. But margins are good.*
- 4) Approximate your annual dollar volume of Adams Golf club sales. Do you expect business to increase during the next one and two years? *Yes at least during 1998*
 - What percent of your equipment sales in a given month are Adams clubs? *Hard to say. Less than 5% of our total woods sales.*
- 5) Based on your industry knowledge, how does the growth of Adams Golf compare to that of other golf companies you've seen? *Growth is in the 5 or 6 all time fastest.*
- 6) Are customers pre-disposed to purchasing the Adams Golf clubs or do you find yourself having to introduce and describe the club to customers? *Customers are pre-disposed. We also push the product because margins are better than other brands like Callaway.*
 - Do Adams clubs increase customer traffic in your store? *Probably. But they are also becoming competition for us with their direct sales.*

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Adams Golf, Inc.

Customer Due Diligence Questionnaire

- 7) Are Fairway Woods a growing part of your business? Is Adams Golf selling the most units of Fairway Woods? *Definitely a growing part. Not sure who sells the most.*
- What percent of your equipment sales are Fairway Woods today vs. 5 years ago? *Not sure.*
 - Who else are the major players in this space? *Callaway and Orlimar.*
- 8) Do you think Adams Golf will have the ability to develop new products which customers will be pre-disposed to consider buying? *That's a difficult question. I don't know. You have to realize that they are a niche product. Also, the smaller size head works perfect for fairway woods and it was something Callaway and others had trouble selling because of their focus on oversized products. This was a void, a good space for Adams to fill. I'm not sure they'll be able to find another space this good.*
- Would you consider carrying new product lines from Adams? *Sure. We'll carry anything that helps out golfers. Adams has become a good brand that people are familiar with.*
 - What would your preference be for a new club? *I'd keep going after the fairway woods market for a while. Add clubs specifically for seniors and ladies. Although I guess they kind of do that now. My next thing would be irons.*
- 9) What are your impressions of Adams Golf's direct response channel (1-800-number)? Do you see the 1-800-number as a source of competition? *Yes it is competition. It's a major hurdle. Adams can't afford to make its retailers mad. Adams needs to move away from direct sales. I feel Adams is overdoing their infomercials and print ads in areas where we have stores. Adams is stealing customers away from our stores. Also, customers think they might get a better deal direct because the ads tout the steel at the lower price and don't make it clear that that price is for steel only. It's bait and switch.*

Adams Golf, Inc.

Customer Due Diligence Questionnaire

- 10) How do you rank the Adams Golf clubs versus its competitors - better, worse or the same? *Adams is pretty good. Some of the larger players are over-distributed. As a result, their margins are low. Adams has higher margins, which makes our stores want to push their products. Adams has succeeded because they have a niche product, good marketing and good retailer margins. I worry that if they go public they will feel pressure to increase their sales and will overdistribute.*
- 11) Are you satisfied with the service Adams Golf provides to you? How might it improve? *Adams service is good. Callaway is the best. The delivery that Adams get us is fine. We think we may get better service because we are a large customer. Adams has inside sales and a face to face person for each store. Inside sales work fine. Overall, customer service is not a problem.*
- 12) Do you expect to continue doing business with Adams Golf? *Yes. But they need to be careful about overdistributing and eroding margins. If the margins erode, we'll get off the bandwagon and start pushing other products with higher margins.*
- 13) Are there any other issues (legal, contractual or otherwise) which you feel are important?
- 14) What are your thoughts on knock-offs/clones/copies? *Not really an issue. We don't sell knock-offs. In fact, we market against such products. Don't think it's a big problem because most people want the real thing.*